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# Daily Report

## Annex

# East Asia

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# East Asia
## ANNEX

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**NOTICE TO READERS:** An * indicates material not disseminated in electronic form.

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## Japan

### U.S. Reluctant To Provide Defense Technology

*OW2710105992 Tokyo NIHON KEIZAI SHIMBUN in Japanese 24 Oct 92 Evening Edition p 1—FOR OFFICIAL USE ONLY*

[Text] U.S. defense-related corporations are increasingly reluctant to provide military technology to Japanese enterprises. Hughes Aircraft Company has refused to disclose the technology needed to build the advanced medium-range air-to-air missile (AMRAAM), a new-type air-to-air missile, to Japanese enterprises and supply it to Japan; and Loral Aeronutronic has refused to grant Japanese enterprises a license for the production of the multiple launch rocket system (MLRS). The United States, which has so far strictly restricted the outflow of advanced military technologies, is now applying these strict restrictions to other military technologies which had been briskly transferred to Japanese enterprises in the past. The U.S. Government's policy to keep U.S. defense technology globally competitive is about to affect technology transfer between the private enterprises of the two countries.

The AMRAAM is an air-to-air missile developed by Hughes Aircraft Company. The missile automatically hits a target after being fired. Hughes Aircraft Company and Raytheon Company are now jointly producing the missiles to supply them to the U.S. Air Force and Navy. The Defense Agency is examining the introduction of the missile. According to Itochu Corporation and Mitsubishi Corporation, which hold exclusive sale rights in Japan for the two American defense contractors, however, the two American defense contractors are now reluctant to grant Japanese enterprises any licenses or export any finished military hardware to Japan.

The MLRS is a rocket-launch system mounted on a wheeled vehicle. The Defense Agency at first planned to let Nissan Motor Company build them under license, but negotiations with the American defense contractor have faced rough going. Hence, it is highly likely that for the time being, the Defense Agency will import finished MLRS's, including the wheeled vehicle, which is built with high technology from Loral Aeronutronic. Japanese enterprises have been denied a license on "SM-2," an anti-air missile manufactured by Raytheon Company for use by Aegis ships, and a license on the jet-engine fuel control system built by Alight Signal [name as published]. In this way, American defense contractors are increasingly reluctant to grant Japanese enterprises their licenses. It also has become difficult for Japan to import such military software and hardware as the information processing technologies, electronic warfare systems and fire control systems which are mounted on fighters. Japanese defense contractors are perplexed at the changed U.S. attitude, asking: "Does the United States keep even this sort of technology confidential from its allies?" (according to an electric appliance maker).

The Japanese defense industry believes that the "U.S. Congress is behind the Pentagon's policy change and the recent refusal by U.S. defense-related corporations to give Japanese enterprises their licenses does not necessarily reflect on their real intentions," (according to a major trading firm). Now that it has become difficult for Japan to uphold the basic policy of producing military hardware at home under licenses given by American defense contractors, many Japanese enterprises are voicing the need to "develop military technology for themselves in the future," (according to a major electric appliance maker).

### Defense Agency To Purchase Two AWACS in 1993

*OW2610023592 Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Oct 92 Morning Edition—FOR OFFICIAL USE ONLY*

[Received via Nikkei Telecom Database]

[Text] The Defense Agency, which has decided during fiscal year 1993 to purchase two airborne warning and control system (AWACS) aircraft from the Boeing Company, has begun negotiations with the Finance Ministry after filing a budget reallocation request with them. This was disclosed by a source accompanying Defense Agency Director General Miyashita on his visit to Cambodia. The agency decided to delay purchase of the AWACS when it submitted a preliminary budget request to the Finance Ministry for fiscal year 1993 because of insufficient surveys of the AWACS' function and a delay in price negotiations with the U.S. Government. Since price negotiations with the U.S. are near to reaching an agreement, the agency, which so far has seen the purchase of the AWACS as indispensable from the standpoint of Japan's exclusively defensive military policy, has concluded that a climate has been created for their purchase. The AWACS' purchase is expected to cost more than 60 billion yen, nearly twice the agency's original estimate. Since the Finance Ministry has announced plans to severely curb defense spending, the agency's request for the purchase of two AWACS is likely to face many difficulties.

As regards the purchase of the AWACS, Defense Agency Director General Miyashita has emphasized the need to introduce them, saying the "AWACS not only have early warning functions but also command and control functions, and they are very important to Japan which pursues an exclusively defensive military policy." It cannot be denied that the agency decided to purchase them due to strong pressure from the U.S. Government, however.

In the price negotiations, the U.S. insisted that since Boeing has to build a remodeled version of the B-767 AWACS, Japan should bear the entire cost of the newly-developed fuselage and radar apparatus. In response, the agency asked the U.S. to lower the price tag, asserting that "since Saudi Arabia and other nations are expected

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to purchase the AWACS, it is not proper to ask Japan to bear all the development cost."

The price tag for the AWACS has been brought down as the feasibility study of the remodeled version of the B-767 AWACS has progressed. But each AWACS still carries a price tag of 60 billion yen, far surpassing the 32.5 billion yen the agency originally estimated. The agency's position is that the "situation has changed because of the changed aircraft type, and priority must be given to our needs rather than to cost." Although the agency will continue to request the U.S. lower the price tag, the U.S. is unlikely to comply with any such request.

In the agency's judgment, "if we postpone the purchase, the price tag may go up in the future; next year is most opportune to purchase them."

## MSDF To Delay Buying Large-Type Transport Ship

*OW2510090792 Tokyo MAINICHI SHIMBUN in Japanese 18 Oct 92 Morning Edition p 23—FOR OFFICIAL USE ONLY*

[Text] The Maritime Self-Defense Force [MSDF], which had planned to purchase an 8,900-ton large-type transport ship to use for Japan's participation in the UN peacekeeping operations (PKO), is expected to postpone the purchase in the 1993 budget. This was disclosed on 17 October by an official concerned. The purchase of the ship costs approximately 53 billion yen. The purchase is likely to be postponed because of progress in disarmament following the end of the cold war and the current serious economic slump.

This large-type transport ship is nearly three times as large as the 3,000-ton "Miura-type" transport ship, the biggest transport ship among the eight transport ships that the MSDF is presently operating. The large-type transport ship is capable of transporting large helicopters, 60 trucks, and dozens of tanks at the same time. The transport ship can cruise at a maximum speed of 22 knots compared to 14 knots of the "Miura-type" transport ship. The large-type transport ship is equipped with a hovercraft which makes it possible for the ship to unload cargoes at sea. According to the same official, the large-type transport ship can dock at any type of ports.

The purchase of the large-type transport ship was recently identified because of the need to transport troops who participate in the PKO. The transport of a 600-member engineering unit and 300 vehicles, including bulldozers, to Cambodia is still not completed and the 7,000-class civilian transport ships have been chartered for their transport.

For this reason, officials within the Defense Agency have been increasingly voicing their views on the need to purchase the large-type transport ship, and the Defense Agency has included necessary costs for the purchase of the transport ship in the 1993 preliminary budget request.

With plans to cut the defense spending, the MSDF is expected to put off the purchase of the large-type transport ship, hoever. A senior official at the Defense Agency said: The "MSDF's purchase of the large-type transport ship is given a lower priority than to the purchase of Aegis ships and submarines. If the defense spending is slashed largely, it is highly likely that the MSDF will put off the purchase of the transport ship."

## Editorial on Yeltsin's Unstable Economic Stance

*OW2610024192 Tokyo YOMIURI SHIMBUN in Japanese 21 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY*

[Editorial: "Unclearness of Yeltsin's Policy Is Deepening"]

[Text] What is Russian President Yeltsin aiming at? The lack of clarity of his policies is becoming a cause of concern within the international community.

On 1 October, Russia started issuing stock exchange tickets with a value of 10,000 rubles. This gave the impression that at long last Russia had entered an important stage toward forming a market economy.

Under such a measure, 35 percent of state-run companies are scheduled to be converted into private companies; with the exchange ticket, the people will be able to obtain a stock certificate within those private companies. This means Russia has introduced the system of private ownership for the first time since the 1917 revolution. The measure will change the people's understanding toward economic restoration, although there will be difficulties if the government is determined to undertake such steps.

At the session of the Supreme Soviet held five days after the adoption of this measure, President Yeltsin criticized key reformist cabinet members by name, then criticized a drastic reform line which has been promoted by Prime Minister Gaydar for "lacking sympathy for the people's pain," announcing his intention to decelerate the current rate of reform.

He stated his intention as if he were not eager to promote privatization.

Because Yeltsin's economic measures—including the distribution of the stock exchange tickets—face strong opposition from conservatives, most observers feel that Yeltsin's move is a way of maintaining power via attacks on Gaydar. If such speculation is true, it will be impossible for Yeltsin to promote consistent policies.

Yeltsin understands that the promotion of the Gaydar cabinet's economic reform plan would be beset with difficulties. The plan was termed "shock treatment" and was designed to promote self-effort by companies and people amid serious economic condition by liberalizing commodity prices and tightening finance.

Industrial circles aimed at maintaining the old economic system have regained their strength by pursuing government responsibility for the economic difficulties, however. In particular, moderate conservatives who have formed "allied citizens" have become an influential power in the Supreme Soviet.

Under such pressure from conservatives, President Yeltsin made concessions on personnel reshuffling—for example, Yeltsin appointed some conservatives as cabinet members and replaced the president of the Central Bank with a conservative.

As a result, Yeltsin's policies are becoming increasingly unclear. We cannot see the future course which Yeltsin wants to take.

Yeltsin has also made considerable concessions regarding policies. Through these concessions, he is planning to again provide subsidies to support state-run companies which are suffering from the tight money policy. Such a plan has led to cancellation of the tight money policy and is giving impetus to the printing of additional rubles.

Supporting drastic reform, western nations have worked out an economic plan to assist Russia. Under the current situation in Russia, it would be difficult for western nations to provide assistance, however.

The military industrial complex is now pushing exports of arms to Asian nations and the Middle East, saying: "Before the conversion of military industries into civilian production, it is urgently necessary to obtain foreign currency by exporting arms."

Russia's exports of large quantities of arms is a negative effect of the rise of conservatives. We doubt whether Yeltsin takes the international community's concerns seriously.

Yeltsin was supposed to be a leader who would destroy the old system of one-party rule. Even if he maintains his position as a head of the nation, he will lose his significance if he abandons the promotion of a market economy and democratization.

We hope Yeltsin will show his people and foreign nations that he is a promoter of reform.

### Ambassador Outlines Goals of Meeting on CIS Aid

*OW2510215992 Tokyo TOKYO SHIMBUN in Japanese 23 Oct 92 Morning Edition p 2—FOR OFFICIAL USE ONLY*

[Report on an interview with Japanese Ambassador Tetsuya Endo on 22 October by unidentified TOKYO SHIMBUN reporter; place not given]

[Text] Ambassador Tetsuya Endo, the person in charge of Japan's "Tokyo Conference on Aid to the Former Soviet Union" scheduled to be held at a Tokyo hotel 29-30 October, granted an interview to a TOKYO SHIMBUN reporter on 22 October. During the interview, he outlined prospects for the conference and Japan's position on the meeting.

In discussing mechanisms for providing aid to the 12 former Soviet republics, Ambassador Endo said: "This will be the last international conference in a series of conferences that began in Washington in January." He then disclosed the intention to entrust the issue to country consultative groups (CCG's) in the future. He also indicated his view that nine CCG's will ultimately be formed, several of which will be established at the Tokyo conference.

According to Ambassador Endo, nine of the 12 former Soviet republics have asked the World Bank to set up CCG's.

This winter, Japan plans to provide $100 million in gratis humanitarian aid that will take the form of food and medical supplies to the 12 former Soviet republics on the condition that the supplementary budget bill is passed at the upcoming extraordinary Diet session. Endo also indicated Japan's position of paying greater attention to the Central Asian republics: "Last winter, only 6 percent of all aid provided to the CIS went to the five nations in Central Asia, but this winter we want to distribute more than that."

Ambassador Endo said that the major goals of the Tokyo conference are: 1) to summarize the entire series of aid conferences, including the meetings held in Washington and Lisbon; 2) to establish support mechanisms for the former Soviet republics; 3) and to call on the international community to provide emergency humanitarian aid to the former Soviet republics this winter. At the same time, he said it was significant that Asian nations such as China, India, and Pakistan will be participating in the conference process for the first time.

Concerning the issue of shortages of foodstuffs and medical supplies, which is high on agenda of the Tokyo meeting, Ambassador Endo stressed that "shortages in medical supplies are particularly acute." He said the major causes of shortages of food and medical supply include the former Soviet republics' declining production, their poor distribution system, and the cessation of imports from Czechoslovakia and Hungary because of a shortage of foreign currency.

### Tokyo To Expand Aid to Central Asian Countries

*OW2610105492 Tokyo YOMIURI SHIMBUN in Japanese 24 Oct 92 Morning Edition p 9—FOR OFFICIAL USE ONLY*

[Text] A government source disclosed on 23 October that the developed Western nations have agreed in general to approve five Central Asian nations from the former Soviet Union as recipients of Official Development Assistance (ODA), and to start providing full-fledged support for them. The Western nations plan to announce their agreement at a Tokyo conference, scheduled to start on 29 October, for support for the former Soviet Union (CIS). Due to this, the Japanese Government plans to provide active support for Central Asia, which is blessed with rich natural resources—such as oil—with the distribution of 100 million-dollars in new humanitarian aid to the former Soviet Union.

The five countries which will be included on the ODA recipient list, are Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan and Kazakstan.

According to the government source, France and other European countries, which have expressed their opposition to the idea of approving the five Central Asian nations as ODA recipients, made concessions at a meeting of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), held in Paris on 23 October. As a result of this, the relevant nations have agreed in general to have working-level meetings to finalize the details as soon as possible.

Japan, which is also an Asian nation, had been insisting, as a part of its active support, that the five Central Asian nations be included on the list of ODA recipients. Approval was delayed because France and the other countries expressed their opposition, however, saying that "leaning toward providing support to the [former] Soviet Union can reduce aid to developing countries" and that some of the NIS enjoy high levels of gross national product (GNP).

The government plans to explain at a Tokyo conference its intention to distribute medical supplies and food and humanitarian aid mainly to Central Asia this winter. Since aid to the former Soviet Union and methods for doing this have been expanded in the wake of the general agreement, the government expects that it will become possible to provide mobile support. Accordingly, the Foreign Ministry and the Ministry of International Trade and Industry, which conducted a survey in the region in May of this year, plan to provide development aid centered around technical cooperation in some fields, including development of oil resources, by sending an investigation team again before the end of this year.

## Russia Seeks Cooperation in Technical Fields

*OW2510101492 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Oct 92 Morning Edition p 11—FOR OFFICIAL USE ONLY*

[Text] The Russian Government has sought Japanese industries' comprehensive cooperation in 12 advanced technical fields, including optical fiber and laser beam processing technology. The Russian Ministry of Foreign Economic Relations [MFER] will dispatch a delegation to Japan in late October and officially announce its requests. The Russian side hopes that the Japanese-Russo Committee on Economy (former Japanese-Soviet Committee on Economy), whose administrative work has been undertaken by Keidanren [the Federation of Economic Organizations of Japan], will be a negotiating partner. It also plans to seek support of the Ministry of International Trade and Industry [MITI].

Originally, the Russian Government was to announce the requests when Russian President Boris Yeltsin visited Japan as one of as many as 150-item economic and industrial cooperation requests. Because of the postponement of the visit, the plan was put off. Concluding that the development of high technology is essential for reconstructing the economy, Russia seems to have decided to promote negotiations with Japan apart from the president's Japan visit, however.

If full-scale negotiations begin, it will be the first cooperative project for Japanese industries to promote with Russia since the fourth exploitation of Siberian forest resources.

According to the briefings the MFER unofficially gave to major Japanese trading representatives in Moscow, Russia's requests include the transfer of technology to extract nuclear fuel from nuclear weapons and use it for nuclear power plants as well as cooperation in establishing an optical-fiber communications network for the states on the Eurasian contitnent.

After being briefed on the cooperative plan by the Russian delegation, the Japanese-Russo Committee on Economy will decide on ways to respond to the Russian requests. Officials concerned have been considering the setting up of a working group to be composed mainly of machine makers' engineers for each request and negotiating through the MFER with Russian public organizations, businesses, and research institutes with regard to joint development and transfer of technology.

Some ups and downs are expected before this cooperative plan develops into a Japanese-Russo joint project, however.

When transfering high technology, Japan will have to take into consideration regulations of the Coordinating Committee for Export Control to Communist Area (Cocom). Therefore, it is highly likely that the number of areas in which Japan can cooperate will be reduced largely. Also, some think that it is desirable that the MITI's Agency of Industrial Science and Technology will undertake cooperative work in such fields as basic research because the burden is too heavy for private research institutes to shoulder by themselves.

## Yeltsin May Dissolve Supreme Council

*OW2710115092 Tokyo TOKYO SHIMBUN in Japanese 26 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY*

[By Yoshihide Ito]

[Text] Moscow, 25 October—With the session of the Russian Congress of People's Deputies [CPD], which is scheduled to open on 1 December, close at hand, the confrontation between President Boris Yeltsin, who intends to promote economic reform, and the conservatives at the CPD and also at the Supreme Council have become critical. As soon as a resolution on postponing the CPD session until next spring, so as to give priority to the promotion of economic reforms advocated by the president, was rejected by the Supreme Council on 21 October, information in circulation on 23 October stated that the presidential side was examining the possibility of taking supralegal [cho hoki teki na] coercive actions, such as the dissolution of the Supreme Council. This information is strongly tinged with the coloration of a "threat" to the Supreme Council. It may symbolize the Russia's present critical situation, however.

The reason why President Yeltsin asked for a postponement of the opening of the CPD sessions lies in the fact that Russia has now entered an important stage in its economic reform. Another reason lies in the fear that since the conservatives seem to have regained their power, the CPD might become a forum for forcing the resignation of both the government and the president. The CPD has the authority to fire the president if a resolution is approved by a two-thirds majority. Even after the Soviet Union's breakdown, CPD members have retained their seats, and conservatives constitute a majority.

Due to their dissatisfaction with the people's reforms, the conservatives, including those belonging to procommunist and patriotic forces, have organized the "National Salvation Front [NSF]." The NSF held its inaugural meeting on 24 October to work out strategies for overthrowing the Yeltsin administration and establishing an "NSF administration."

It has been reported that Supreme Council Speaker Ruslan Khasbulatov is also involved in this organization, while reformist cabinet members, including Foreign Minister Kozyrev, denounced the action and said: "Some parliamentarians are preparing for a coup." Defense Minister Grachev, who has the military under his control, said: "The army supports the president. Recent attacks on the government are not wise." Thus, he strongly warned against the conservatives' moves.

As far as President Yeltsin is concerned, in view of the fact that there is no way to escape the opening of the CPD session in December, he seems to have started launching moves to win as many supporters within the CPD as possible so as to tide over difficulties at its sessions. One such move is to win the support of the "Citizens Alliance," middle-of-the-roaders who form a parliamentarian force supported by the military-industrial complex.

Among the leading members of the Citizens Alliance are Vice President Aleksandr Rutskoy and President Volskiy of the League of Industrial Enterpreneurs. The alliance demands a revision of reform plans, centered on supporting enterprises. President Yeltsin spoke highly about some of the demands at a Supreme Council session held on 6 October.

The Citizens Alliance also calls for a reshuffling of cabinet members, and there is a greater possibility that President Yeltsin will comply with this request. Information in circulation on 24 October indicates that Skokov [as published], secretary of of the Security Council, who is a conservative, has been recommended to fill the vacant premiership. This information may be regarded as another move to turn aside attacks by middle-of-the-roaders.

If confrontations between President Yeltsin and the Supreme Council should escalate at the last moment, a scenario for dissolving the Supreme Council might come to pass, and a tense situation would then continue.

## Editorial on Emperor's Banquet Address in Beijing

*OW2610195692 Tokyo YOMIURI SHIMBUN in Japanese 24 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY*

[Editorial: "The 'Emperor's Address' Conveys Our Feelings"]

[Text] His majesty the emperor, who is in Beijing for a goodwill visit, delivered an address at a banquet given in his honor by PRC President Yang Shangkun on the evening of 23 October.

Touching on the past, the emperor stated that "there was an unfortunate period in which my country inflicted great suffering on the people of China," adding: "I deeply deplore it."

The emperor recalled the fact that "the Japanese people, believing with a sense of deep reproach that such a war should never be repeated, firmly resolve to follow the road of a peaceful nation." He then stressed his strong expectations that a relationship of mutual commitment to everlasting peace and friendship for the future should become immutable.

It is quite obvious that Japan's aggressive actions during the Sino-Japanese War and World War II have inflicted great suffering on the Chinese people. The current emperor was not involved in Japan's actions but it was natural for the emperor—the first emperor to visit China in the 2,000-year history of exchanges between Japan and China—to state his feelings.

What the emperor, who has no authority over state affairs, stated in his address was the utmost possible limit of what he could say under the constitution. The Sino-Japanese Joint Declaration issued when the diplomatic relations were normalized between the two countries in 1972 states that the Japanese side is keenly aware of its responsibility for causing, through war, enormous damages to the Chinese people in the past and deeply reproaches itself.

What the emperor stated in his address also represents the feelings of a large majority of Japanese people.

We cannot but hope that the Chinese people will understand the true significance of the emperor's address.

In his speech, Chairman Yang expressed regrets over the damages suffered by the Chinese people during this unfortunate period, and stated that it will be in the interest of the peoples of our two countries that "in learning a lesson from history, we should never forget the past events but take them as a warning for the future." Moreover, he stressed that it will be profitable to our two countries if a good-neighborly relationship is maintained between China, which is promoting a peace-oriented diplomacy, and Japan, "which is continuously taking the road toward peaceful development."

It goes without saying that we should never forget reproaching ourselves. We are now entering an epoch in which the peoples of our two countries must work together to greet the future, however. In his visit to Japan, General Secretary Jiang Zemin said: "It is important for China to forget about the past and look toward the future."

It is hoped that, with the emperor's visit to China as a springboard, friendship and mutual understanding between the peoples of our two countries will continue to be promoted. Exchanges between the people of our countries are increasing. In Japanese society, the Chinese people have become an intimate inspiration to the Japanese people now.

Japan and China have different systems, and there are still various frictions and political problems existing between our two countries. it is the responsibility of both the people and governments of our two countries to settle these problems, however, and we are convinced it is possible to have them settled.

Also, the basis for settling problems lies in friendship and good-neighborliness. We feel that friendship and good-neighborliness are the basic factors for promoting relations in the international community today, particularly among neighboring countries. It is based on this concept that the emperor is paying a visit to China.

We have repeatedly pledged that, based on our introspections over the past, we will never become a military power that will impose danger on neighboring countries, and this commitment will never change in the future. At the same time, we are striving to play a positive role in fulfilling the responsibility of establishing a new post-cold war order of peace and stability. In an effort to form such a new order, China cannot be omitted. The time has now come for us to shift the friendship between our two countries to a relationship that will enable us to contribute to the world.

His majesty the emperor and her majesty the empress will soon have the opportunity to hold dialogues with the Chinese people. It is hoped that their genteel personalities will appeal to the Chinese and their tour will be crowned as a fruitful goodwill visit.

## FANUC To Establish Joint Venture in Beijing

*OW2710090792 Tokyo NIHON KEIZAI SHIMBUN in Japanese 18 Oct 92 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] FANUC Ltd. has agreed to a joint venture to construct a plant to produce numerically-controlled [NC] machine tools in Beijing, China. Seiuemon Inaba, president of FANUC, will visit China and sign a contract in early December.

By producing NC machine tools, China, which lags behind Japan and other countries in machine-tool technology, will be able to raise its technological level on tool production. For now, FANUC will limit the products made in the plant to those not violating the rules of the Coordinating Committee for Multilateral Export Controls (Cocom), but should the application of Cocom rules toward China be eased, the company will expand its range of products step by step.

The joint venture will be invested in equally by FANUC and the Chinese Ministry of Machine-Building and Electronics Industry, and will be called the Beijing-FANUC Corporation. The scale of capitalization and production capacity for the joint venture will be decided before December, even though the production capacity is expected to be in the range of 200 to 300 sets a year. Toshiaki Samejima, now director of FANUC's sales division, will be named president of the new company.

The products to be produced and sold are specific NC machine tools which do not come under Cocom rules. Performances and functions of the tools will be restricted, and the semiconductor chips to be used will not allow the machines to be used for purposes other than those for which they were originally intended. For the time being, only one production item will be made in Beijing, and other items for production will be shipped from Japan. The plant will also act as a service center for products sold. Construction will begin early next year in Beijing, and completion is targeted before the end of the year.

There are now about 100 machine tool manufacturing plants in China, but partly because of Cocom restrictions, the production of NC machine tools is said to account for only a small fraction of the total production. China believes that the availability of NC machine tools is essential in improving metal-processing accuracy, and thus promoting the country's whole machine industry. From such a perspective, the country started negotiations, calling on FANUC to advance into China some years ago; however, negotiations soon stalled because of the Tiananmen incident in 1989.

In the future, FANUC will think also about the possibility of dividing up work among its NC-machine tool plants in South Korea, Kogoshima, and the plant in Beijing.

### Firms To Build Petroleum Plants in PRC

*OW2710090892 Tokyo NIHON KEIZAI SHIMBUN in Japanese 21 Oct 92 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] Mitsubishi Corporation, Itochu Corporation, and four other major Japanese firms reached an agreement on 20 October with China to form a joint venture to construct and manage petrochemical and oil refinery plants in China. This was announced on 21 October. The plants will be constructed in Yingkou, Liaoning Province, for approximately 500 billion yen. This will be the biggest joint venture ever formed between the two countries. Development of the petrochemical industry is a centerpiece of China's Eighth Five-Year Plan (1991-1995), and this is the first time that as many as six major Japanese firms have forged a business alliance to reduce their risks in China and formed with China a joint venture to turn out petrochemical products, the demand for which is growing sharply in China.

Mitsubishi Corporation, Itochu Corporation, Marubeni Corporation, Mitsui Company, Sumitomo Corporation, and Nissho Iwai Corporation will participate in the joint venture. Their Chinese counterparts will be Liaoning Province, the Chemical Ministry of the Chinese Government, the China National Petrochemical Corporation, and the China National Petroleum and Gas Corporation. The six Japanese firms intend to promote the joint venture as a national project of both Japan and China by requesting public funds, including loans from the Export-Import Bank of Japan for their investments in the joint venture and for trade insurance for their investments.

According to the agreement, they will jointly undertake a feasibility study in early 1993. They will form the joint venture in mid-1994, after confirming their investment rate of return, and then they will start constructing the plants. Regarding the investment ratio for the joint venture, the agreement sets 51 percent for the Japanese partners, thereby giving them the right to control the joint venture. Plant construction is expected to be completed between 1999 and 2000.

Petroleum will be imported primarily from the Middle East. A refinery under the joint venture will be capable of refining 1.6 million to 1.7 million tons of oil a year, and an ethylene plant capable of producing 450,000 tons of ethylene has been planned. China plans to construct a plant capable of producing 300,000 tons of ethylene a year in either Naoming, Guangdong Province, or Jilin, Jilin Province. This is the first time that the construction of a large-type 450,000-ton ethylene plant has been planned in China.

The agreement calls for constructing other plants capable of producing about 10 kinds of synthetic resins, particularly polyethylene, polypropylene, and polystyrene. The synthetic resins produced at the plants will be sold to industries around China.

The Japanese partners plan to ask Toyo Engineering Corporation, Chiyoda Corporation, and JGC Corporation to cooperate in conducting the feasibility study. They also plan to seek cooperation from Japanese petrochemical companies until plants are put into operation. The Japanese partners in the joint venture intend to promote the joint venture as national project for both Japan and China.

### MITI Analyzes Recent Increases in Exports

*OW2610120692 Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Oct 92 Morning Edition p 5—FOR OFFICIAL USE ONLY*

[Text] According to an analysis from the Ministry of International Trade and Industry [MITI], a recent sharp increase in exports is attributed mainly to the strong yen and exports of high-grade products. The MITI says that the economic impact of Japanese companies' exports, because of sluggish domestic demand, is not strong. Dollar-based exports for the period between July and September in 1992 increased by 10.4 percent when compared with that for the previous year. But, such an increase is attributed mainly to increases in export prices, and there is no big difference in export volume. Because of managed trade by the United States, which includes Japan's voluntary restraint on automobile exports—which limits export ceilings—automobile makers have turned to exporting luxury cars. In addition, in the field ship construction—where shipbuilders are aiming at developing a double-hulled tanker—and semiconductors, there is growing trend towards placing emphasis on high added-value products. It is expected that, if Japanese industry continues to pass on the strong yen in product prices, a tendency of "giving more emphasis to prices than quantity" will grow.

Exports have gradually increased since the latter half of 1990. Since early 1992, exports have increased drastically, with about a 10 percent constant increase when compared with the average from previous years. But export volume has remained at the same level. If an export volume index in 1985 is considered as 100 percent, the increase ratio of export volume for January to March in 1992 increased by 2.9 percent when compared with that of 1991 and in the period from April to June increased by 2.6 percent, when compared to the same period for last year. But these figures indicate a downtrend. According to the MITI, the increase in export volumes for the period from July to September for 1992 worked out to less than 1 percent. It has been said that industrial circles want to make exports an outlet for surplus goods. But from the standpoint of export volume figures, companies' intentions cannot be discerned.

Therefore, it can be said that an increase in export value can be attributed mainly to rise in the prices of goods exported. The ratio of increase in the export value index for the period from January to March of 1992 increased by 5 percent when compared with that for the same period in 1991. As for the period from April to June, the ratio of increase went up by 6.6 percent when compared with that for the same period in 1991. From July to September, it reached about 10 percent when compared with that of the same period in 1991. There are the two primary factors behind increases in export values: The strong yen and the export of high-grade products. The average yen exchange rate against the dollar for the period between July and September increased by 8.5 percent when compared with that for the same period last year. According to the Economic Planning Agency [EPA], the shifting ratio of strong yen to export values is about 50 to 60 percent. The EPA said that the increase in the export of high grade products is a greater factor than the strong yen.

It is none other than the auto industry itself, whose exports to the U.S. and Europe is under the government's control, that is trying to accelerate the upgrade of export products. Toyota Motor Corporation plans to increase the number of its dealerships selling high grade cars in the United States by 15 percent when compared with the current number of dealerships by the end of this year because of an increase in sales of its "Lexus" (called Celsior in Japan)—currently its sales have increased by 80 percent when compared with last year's sales. Nissan Motor Co., Ltd. also plans to increase the number of its dealerships by 50 percent when compared with the current number of dealerships in the next three year, while it makes inroads into the U.S. luxury car market.

In the field of ship construction companies who had received orders two years or a year ago have started handing over completed ships to customers. About 20 percent of these are expensive, double-hulled tankers. As for semiconductors, which are being steadily exported to the United States, in place of one megabit dynamic random-access memory (DRAM—random access memory requiring a battery backup to retain data) which was a major exporting item last year, four megabit DRAMs are increasingly being exported.

## Case Presented Against Controlled Trade

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[Article by Heizo Takenaka: "Unilateral Controlled Trade; Danger of U.S.-Japan 'Consultation Structure'"]

[Text] Already six months have passed since the visit of President Bush to Japan with 21 leading businessmen. In the United States, the presidential candidates have been decided and the policy debate for the real election gradually will become full-scale. Right now there is a lull between the primaries and the real election, or rather the sense of a calm before the storm, and it seems that harsh criticism of Japan has dropped since the days of the Bush visit to Japan.

In Japan, on the other hand, the topics of conversation in the policy sphere have mostly centered on issues which were conscious of the late July House of Councillors election such as immediate economic measures, and the future management of the polictial situation surrounding the PKO (UN Peacekeeping Operations). With the most important political event of elections before both the United States and Japan, domestic issues have been pushed to the fore in policy debates and discussions about foreign affairs seem to be receiving secondary treatment.

However, the two nations of Japan and the United States, which account for 40 percent of the GNP of the whole world, should not be absorbed just in domestic issues. The world still is moving tremendously fast towards building a new post-cold war system. Both countries have major roles to play in international issues such as the economic reform of the CIS (Commonwealth of Independent States), the rocky negotiations in the GATT Uruguay Round, and the new actions of Afghanistan. As clearly brought out at the G-7 meeting of finance ministers, the realization of sustained economic growth in advanced nations is most indispensable for the political and economic reform of former socialist countries centering on the CIS, and what the economic policies of the United States and Japan should be must be brought to question from a global viewpoint.

Both the United States and Japan especially bear responsibility about how to maintain the vitality of a market economy and, to do that, how to protect free trade, the basic concept of GATT.

On this point, we must remember that the auto industry was individually brought up at the U.S.-Japan heads of state meeting this last January, and the heads of both nations made an unusual agreement to intervene in the market. Japan promised the United States the two points of additional procurement of auto parts ($19 billion) and increased import of about 20,000 completed cars. Even though in formal terms, the Japanese auto industry established the goals as an independent effort, this probably was perceived by many people at home and abroad as an international public pledge by Japan.

Moreover, the Japanese government had been putting strong pressure on the industry up until the agreement, and ultimately, a trade policy of depending on administrative guidance, which has not changed since the period of reconstruction after World War II, was implemented. Now that six months have passed since the auto agreement, is it not necessary to check again about the implementation of "controlled trade" by the non-transparent method of "administrative guidance"? Let us consider just what changes will occur as a result of the agreement and how this auto agreement should be reevaluated with its relationship to the leadership that Japan and the United States inherently should perform in global society.

Below, there first will be a review of why they ventured to implement an auto agreement with the strong coloring of controlled trade in the U.S.-Japan heads of state conference in January.

It will be made clear in that how the agreement at that time was distorted by the political pressure of elections. To begin with, moreover, an investigation will be made of whether this controlled trade is spreading in advanced industrial nations which until now, for whatever reason, have come to lead world trade for.

The existing policy determination process with bureaucrats as the axis and the weakness of the media's function of checking against it especially will be pointed out regarding Japan. At the same time, the fact must be fully realized that the economic evaluation itself of controlled trade is diverging from the past. Then, considering the role of government intervention as a new trend in policy concepts, it will be clear that Japan no longer will be permitted just to have a free ride on the free trade system that has come to be lead by GATT. Furthermore, based on the point that the strengthening of controlled trade ultimately will hurt the economic welfare of the individual consumer, the responsibility that inherently should be borne by Japan and the United States will be discussed.

Finally, based on the demise of "America as the common benefactor" of the world, so the speak, three policies which Japan should take to prevent controlled trade will be offered.

The first of those is the establishment of a round table by global corporations, and the second is the official publication of a negative list of policies (a policy list proclaiming what absolutely should not be adopted) by the Diet and industrial groups.

Furthermore, as the third policy, the need for a new social mechanism to concentrate the power of the consumer, who is the greatest and ultimate recipient of the benefits of free trade, will be made clear.

## 1. Purpose of U.S.-Japan Auto Agreement

### 1.1 Mistake by Bush

On the occasion of Japan's agreement on an increase in procurement of auto parts and a target number for the import of completed cars when Bush visited Japan in January of this year, the following comment was carried by the New York Times. "Both the United States and Japan have established the wrong problem and agreed on the wrong response to that." It is believed that this short comment beautifully points out the real nature of the problem.

To begin with, what is the real economic problem which the United States is directly facing? President Bush himself has repeatedly called for "jobs, jobs, jobs!" The increasing unemployment rate itself is the greatest concern of the people, and the creation of employment has been positioned as the greatest economic policy goal. This fact, at the same time, will be very difficult for his own standing in the presidential election this fall if he cannot create employment. For that reason, he has taken the posture of seeking "cooperation" from Japan on the pretext of the election.

Viewed objectively, however, the unemployment problem in the U.S. economy, generally speaking, has not been serious. The unemployment rate figure announced at the time of the Bush visit to Japan (as of December last year) was 7.1 percent, but considering that the U.S. full employment unemployment rate (the unemployment rate that frictionally would remain even if full employment were reached, for example) generally is at the 5 ½ percent level, it is by no means a high figure. Considering that it reached close to 10 percent in the early 1980's, it can be viewed as a fairly stable employment environment. As opposed to this viewpoint, though the macro unemployment rate may not by any means be high, white collar workers who have never experienced unemployment are losing jobs and for that reason, it is pointed out that the unemployment problem is impressive. Moreover, it is this white collar worker class which in reality has a high voting rate in elections and consequently an undeniable aspect is that the employment problem is important as an election measure. Viewing the makeup of the white collar workers more specifically, however, they are financial and real estate business employees and the significance of the current increase in unemployment, it is a healthy adjustment process for settling the bill of the bubble economy and it can create a good situation.

In any case, the state of the U.S. economy at the time of the Bush visit to Japan was by no means bad. In an election year, an index often used as an indicator of how the people evaluate the economic policies of the current administration is the misery index. This is the addition of the aforementioned unemployment rate and the inflation rate together and the higher the number, the worse the performance of the economy in the view of the people. However, the misery index just before the Bush visit to Japan was 9.8 percent, the lowest level in the past four presidential elections. In this connection, at the time of the 1988 election when Bush had an overwhelming victory, the misery ratio was 9.9 percent and before that, it far exceeded 10 percent.

In that case, just how is the real problem directly facing the U.S. economy to be grasped? It is very interesting that it is thought that the American people understand the real nature of the problem far more dispassionately than the Bush administration which is a professional policy group. In opinion polls by CNN and Time Magazine conducted a while after the U.S.-Japan summit

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conference, it was clear just what caused the American people to feel some anxiety or dissatisfaction about the economy.

According to that poll, people did not express dissatisfaction about the short-term economic problems of current unemployment or inflation. People had the greatest dissatisfaction or anxiety about whether the standard of living of the American people can be maintained over the long-term from the past to the present and from the present to the future. In other words, the greatest concern is paid to the current state of the American economy and the inability to maintain their own standard of living.

The important point is that macro economic policy measures of reducing the economic deficit of the United States and increasing private savings are indispensable for solving this basic problem. The essence lies in the macroeconomic problems of the United States itself, and it probably can be said that the greatest error of the U.S.-Japan summit conference was that it could be solved by the microeconomic trade problem of the auto industry. The point stated in the New York Times that "Both the United States and Japan have established the wrong problem..." indeed meant this substitution of a microeconomic trade problem for a macroeconomic problem.

Politico-economic research published after that has reported the very interesting results that perhaps President Bush has made a mistake in sticking to the short-term economic problem of creating employment before the fall election. A researcher at Yale University created a model analyzing the relationship between the percentage of votes won by the candidate of the party in power and the short-term economic indicators of economic growth, unemployment, and inflation for the last 18 presidential elections, and forecasted the percentage of votes that President Bush will get in this election.

According to that, if the GNP growth ratio for the United States this year reaches 1.9 percent, Bush will acquire a support vote of 57.2 percent and easily win the election to president. This 1.9 percent growth is the average growth rate figure for blue-chip companies as estimated by 51 top American economists, and in a sense, it is possible to estimate a highly probable value.

Consequently, if the election trend is governed by the immediate economy as Bush believes, the Bush administration is secure. The problem is the possibility that people will vote in the presidential election based on rather long-term macro policies, not the immediate unemployment and inflation trends. The commission of such an error in judgment in the face of election pressure, even by the Bush regime which is believed to have the most eminent policy experts and strongest policy staff in the history of the American presidency, again results in giving the impression of the difficulty of policy decisions in a democratic society.

### 1.2 Mistake of Japanese "Cooperation"

The U.S.-Japan auto agreement of January this year, as stated before, to begin with, is an error in judgment about what the problems needing resolution are. At the same time, a larger problem remains in the choice of policy methods. Even if the creation of employment in the United States is perceived as an important policy goal, it must be said that an increase in the procurement of parts and the import of completed cars by Japan as was agreed not only will have almost no effect on employment, but also bring an inordinately large political and economic cost to both the United States and Japan in the expansion of controlled trade.

The important thing is the impression given to the world that the United States has pressured Japan based on erroneous judgement, Japan has accepted this also by erroneous judgement, and ultimately, controlled trade will be strengthened by continuation of a diplomacy which follows in the footsteps of the United States.

The problems brought by controlled trade will be discussed in detail later, but first of all, let us confirm that the U.S.-Japan auto agreement will have no effect whatsoever in creating employment.

It is known that to lower the unemployment rate in the United States by 1 percent, the GNP must be increased by about 4 percent. This relationship between changes in production and changes in the unemployment rate is called by the name of Okun's coefficient. Based just on that coefficient, there would only be an increase of 10,000 to 20,000 people employed annually if there were a parts production increase of 19 billion dollars.

On the other hand, while the one company of General Motors is proceeding with the dismissal of 60,000 people all at once, was it necessary for the U.S.-Japan summit to bend the principles of free trade by discussing this scant increase in employment? President Bush himself stated after he returned home that the prospects were that a domestic employment increase of 200,000 people was possible by this, but it is believed to be an exaggerated estimate any way you look at it.

So, why did Japan accept this strong demand from the United States? As the basis of that, it cannot be denied that there has been the posture which has continued since the war of consistently following in the footsteps of the United States in foreign affairs matters. In the past, the United States boasted overwhelming economic superiority and in the period when that superpower completely overlapped with the expanded economic welfare of the people of the world such as with free trade and protection of human rights, it was in the national interest of Japan to follow in the footsteps of the United States and participate in the world system created by the United States. It seems that many people perceive that ultimately the economic welfare of the Japanese people has been raised by doing that, even with the various demands for emancipation that came to be reluctantly met due to pressure from the United States. However, the overwhelming superiority of the United States has been extinguished and now that the postwar world system itself which centered on U.S.-Soviet opposition is greatly changing, the Japanese attitude toward the United States should not continue as before forever. As the No. 2 nation, we must act to ensure a dynamic balance of power among developing nations, including Europe as well as Asia, by sometimes helping the United States and sometimes becoming an opposing force to the United States.

Nevertheless, the basic posture of Japan shown in this U.S.-Japanese agreement was to follow in the footsteps of the United States using very simply logic as a pretext. The logic often brought out by political leaders when accepting pressure from the United States is that free trade probably will be maintained if Bush wins the election, but if the Democratic candidate wins, a rather strong trade policy with the coloring of controlled trade probably will be realized.

In the past, the Japanese media also have repeatedly made reports as if tacitly accepting this logic. However, the view that the Republican Party equals free trade and the Democratic Party equals controlled trade is not supported at all by current American policy experts and it must be called a view that is too simplistic and biased.

Reviewing the history of American policy, the fact is discovered that the Republican Party actually has carried out very strong controlled trade. The Smoot-Hawley Tariff Act of the 1930's can be cited as the strongest controlled trade bill in history so far. This was intended to raise tariffs greatly in order to protect domestic industry, and a competition to raise tariffs occurred among various countries occasioned by this law. In turn, this was linked to the advent of a great panic in which world trade faced a contracted equilibrium.

Actually, Congressman Smoot and Congressman Hawley who proposed this bill both were Republican congressmen and it was Republican President Hoover who signed and approved this law. Conversely, examples also can be found of Democratic presidents who promoted free trade.

In the 1960's, the United States strongly supported free trade centering on GATT, led by Democratic administrations including President Kennedy. The results remain in history with the name of the Kennedy Round (1962).

Looking at recent examples also, it is believed that the simple schema of Republican party equals free trade cannot be supported. The period in recent years when so-called protectionist bills were most often proposed to Congress was 1985 (right before Plaza Accord) when the damage to domestic industry reached its highest due to the high dollar. According to a survey by the Japan External Trade Organization (JETRO), the Senate and House of Representatives combined prepared and submitted to Congress about 200 protectionist bills at the time. Among these, bill proposals by Democratic congressmen were the mainstream in the House of Representatives, but the protectionist bills submitted in the Senate centered on Republican congressmen.

In short, it will not be known whether a Republican or Democratic Party administration is protectionist until the regime is formed. Indeed, under the present circumstances, some Democratic congressmen like Congressman Gephardt are very anti-Japanese and consequently, the impression is received that Japan-bashing will expand if a Democratic regime is born.

Conversely, if carefully thought out industry strengthening measures are adopted under a Democratic administration—the Republican Party take a stand of complete opposition to such micro policies—and the competitive power of major industries increases, there is a possibility that the danger of turning to protectionist trade will be curbed.

In any case, one clear fact is that what trade policies will be taken by which regime often is governed by many factors and the labeling of Republican Party equals free trade and Democratic Party equals controlled trade has completely no basis.

The strengthening of foreign policy which follows in the footsteps of the United States according to baseless logic naturally has invited opposition from areas other than the United States.

Since the period directly after the U.S.-Japan auto agreement, an EC spokesman has advocated that it is contrary to the nondiscrimination principles of GATT. In the future, there may be demands from Asian countries with great expectations of export product assimilation in the Japanese market to conclude similar agreements with themselves. If there are similar proposals to establish goals for increased procurement of auto parts and import of completed cars from countries other than the United States, just how will Japan deal with them?

Furthermore, what should we do if there also are proposals from the United States and other countries to establish similar import goals for electrical machinery, etc., where Japan is very competitive and not just for autos? It must be realized again that a market principle once distorted will go on being distorted forever.

Let's point out another important fact about the Japanese measures taken by Japan in response to the U.S.-Japan auto agreement in January of this year. That is, an attempt has been made to adjust domestic opinion bringing out the very "Japanese" concept of Japan's "cooperation" with the United States. At the U.S.-Japan summit, Prime Minister Miyazawa made the appeal that the United States, a friend, was suffering from an illness and it was necessary to "cooperate" with this friend. As the simple sentiment of the Japanese people, it is probably natural to accept any cooperation with the United States which lent its various powers to the reconstruction of Japan after the war.

In the meantime, however, President Bush in the United States asserted to the people that his own objective was to pry open with power the closed market of Japan. The expression "cooperation" often was used in Japan in reports by news media such as newspapers surrounding the U.S.-Japan auto agreement and for that very reason, the tenor of the argument that it inevitably was an agreement strongly colored by controlled trade was striking.

However, media reporting Japanese "cooperation," so far as the author knows, has been nil in the United States.

As a result, it is believed that there is a very large gap in perceptions between the United States and Japan. Recently, the United States has proposed the creation of a mechanism to monitor whether Japan is keeping the goal for completed car imports in the auto sector.

However, this is a great surprise considering the simple sentiment of the Japanese people. We are directly facing the unexplainable situation of being monitored by the party with whom we are cooperating and cannot hide our puzzlement. This discrepancy in addition to the distrust of the American people for Japan ultimately only fans Japan's feelings of dislike and contempt for the United States. A simple agreement between governments that has been constantly smoothed over politically ultimately will damage the long-term friendly relations between the people of Japan and the United States.

### 2. Intervention as a Policy Concept

### 2.1 Unavoidable Drop in Competitiveness

We have come to see under what specific circumstances a controlled trade type auto agreement was formed at the U.S.-Japan summit in January of this year, but we will go a step further below and investigate the politico-economic mechanism of controlled trade. First, let us see what kind of consequences controlled trade brings.

As is well known, in all transactions, not limited to foreign trade but including the domestic market as well, market transactions based on free competition themselves bring the optimum distribution of resources. As a result, it becomes possible for the consumer to consume the most goods and services at the lowest prices, and corporations also can earn the biggest profits. In regards to production also, the amount invested is determined by the fact that marginal productivity of various production elements is offset by relative price and carrying out maximum production with scarce resources is made possible.

Indeed, an economy is realized such that the economic welfare of the people is increased to the maximum led by an unseen hand. As will be stated later, in reality, this classical free economy also generates aspects that do not function in a simple form due to the generation of various new factors such as expansion of research and development investment and increase in weight of services.

However, realizing free trade transactions and making the best use of market activity undoubtedly is the foundation for operation of the world economy. The fact is fresh in our memories that former socialist countries which continued to ignore the market finally came to ruin not only in their economy but also their political system and have begun to form a large flow toward a market economy.

If limitations are added to this free trade and governments carry out some kind of controls, the optimum distribution of resources naturally will be distorted and the economic welfare of the people will be harmed. In a word, there can be various forms of controlled trade, but discussion will proceed here taking controlled trade widely to be all trade with market intervention that distorts free trade.

Actually, various countries of the world, while promoting free trade, already had expanded come controlled trade measures at a rather early date after the war. This point can be confirmed looking at cases involving Japan. For example, there has been constant government intervention since trade friction first occurred between the United States and Japan in the middle of the 1950's concerning trade in textile goods. Since then, controlled trade in textiles has been considered a worldwide phenomenon down to the present day. Furthermore, in the field of steel, which forms the nucleus of industry, trade friction already had surfaced since the latter half of the 1950's and various controlled trade systems came be to adopted. Moreover, voluntary control of exports to the United States for autos was decided in 1981, and a controlled situation related to exports has continued since then.

As is known, the voluntary control on the number of Japanese autos exported to the United States was lowered to 1.65 million cars in March of this year (previously had been 2.3 million cars), again giving the impression of strengthened controlled trade. It has been reported by R. Reich of Harvard University that under the Reagan Administration which praised free trade, the weight of trade under some control expanded from about 30 percent to 50 percent in the United States also.

Let us look at the example of autos that is fresh in our memory as to what results specifically were brought by this controlled trade. Voluntary control of exports of Japanese autos to the United States was implemented in 1981, but this fact naturally raised the sales prices of Japanese autos in the United States.

The problem is that the price of American cars ultimately was raised by the price increase of Japanese cars, raising the price level overall. According to an estimate by the Brookings Institute, at the mid-1980's point in time, the price of a passenger car in the United States was about 2,500 dollars higher than when there were no

Japanese voluntary controls on exports. The price increase was distributed in a form evenly split by the Japanese auto manufacturers and the U.S. auto manufacturers. It is learned that ultimately, controlled trade sacrificed the interests of the consumer and that share benefitted some producers for a short time.

The disadvantage to consumers can be confirmed in another form also. According to a survey, the average purchase price of an auto was about 30 percent of household income in an American middle income family in the 1980's, but the percentage rose to about 60 percent in the 1990's.

For one thing, this was caused by a distortion in income distribution in the United States and the leveling off of middle class income, but more basically, it was because of the greatly restricted competition in the domestic market as the result of controlled trade extending over 10 years, producing an increase in auto prices. It is necessary to recognize strongly that controlled trade usually robs the benefits to the consumer.

The disadvantage that controlled trade gives to the national economy, however, will further boomerang on the people in the form of harming rather long-term economic development. Soon after Japanese voluntary controls toward the United States were implemented in 1981, U.S. auto manufacturers temporarily recovered profits and saw signs of rebirth. Properly speaking, they should have prevented an outflow of capital from the company and expanded facilities investment to strengthen competitiveness at this point.

The inherent objective of conducting export controls as an emergency resort would have been achieved right then. However, workers sought a wage increase at that time, compensation for executives was increased, and a dividend to stockholders was implemented. Content with protectionist measures, managers and workers who had forgotten the grim market further lowered competitiveness over the long term.

Rather than the direct loss suffered by consumers due to the rise in product prices, the long-term economic loss created by the protected industry's loss of dynamism, or in other words, the long-term loss brought through further weakening of the supply side, is believed by the author to be far greater.

In any case, controlled trade robs the economic benefits to the people through various routes. It must be fully understood that it has a fearsome power of steadily increasing the burden for many people even though it is not in a form directly seen by the eye.

### 2.2 New Rules in "Patent Payments"

The expansion of controlled trade eventually will greatly boomerang on one's own economic life, and simple compromises on it decidedly cannot be accepted. While the United States, which previously led the world in free trade, now is giving priority to the domestic political situation and strengthening isolationism and protectionism, the number two nation of Japan is shouldering the serious role of maintaining free trade.

At the same time, however, it is a fact that a review of world trade rules themselves is urgent amidst the great changes in the environment surrounding the economy.

While firmly opposing the simple pressure of controlled trade, Japan, on the other hand, must participate aggressively in the creation of new trade rules. In fact, however, as seen in the U.S.-Japan auto agreement, we have witnessed our easily submission to the pressure of controlled trade, and on the other hand, have been slow to act in creating trade rules.

There are various factors behind the need to create new trade rules. Moreover, the change in the trend of economic concepts themselves seen since the latter half of the 1980's, centered on the circle of U.S. economists, must be considered at the root of it. In the long policy debate up to now, the Keynesian concept group which advocates the importance of government intervention in everything and the classical concept group which emphasizes the efficiency of the market above all else have come to argue their opinions in a form that gradually has been integrated.

In recent years, however, "external economic effects" have come to be greatly noted where factors other than the production elements of labor and capital such as technology and information are brought to production activity. In addition, the leading view has become that the function of adjustment, which previously only has been by the market, should be supplemented by some government intervention since economies on a marked scale are seen when research and development in high-technology industries are included.

The group which values some market intervention in a constructive manner by the government like this now has formed a new economic concept group with the name of Neo Keynesian.

This new concept also is applied to the way that trade should be. For example, Laura Tyson of the University of California at Berkeley emphasizes the dynamic efficiency created by economies of scale and the effect of learning, the special characteristics of high-technology industries. As a result, she suggests the adoption of a strategic trade policy in which the government creates relative priorities and profit is shifted from foreign corporations to corporations of their own country.

Tyson rather specifically advocates expansion of bilateral agreements such as the U.S.-Japan semiconductor agreement to multilateral controlled trade agreements. There is a much doubt whether it can be said that this assertion is better than trusting the market, even if the government creates relative priorities. However, amidst the marked changes in the structure of the economy, it is desired that Japan's response not be just simple repetition of previous assertions, but rather aggressive participation in discussion on how to create new trade rules.

This issue has been hurled early at Japan as a real trade problem in the form of extra-territorial application of intellectual ownership rights and anti-trust laws. At the beginning of this year, a lawsuit concerning patent infringement by Japanese corporations was fought in a U.S. court. The fact that an extraordinary payment was sought of about 5.7 billion yen from Sega and about 16.5 billion yen from Minolta gave quite a shock to those concerned. There are quite a few problems with the U.S. justice system itself where layman juries have great power, and there is great doubt whether an order to pay over 10 billion yen is appropriate.

Nevertheless, to begin with, reconstruction of the basic rules is sought as to how to distribute profits between the people who conduct basic research and invent a principle—making that fact specific itself is difficult work—and the people who apply that principle and make a product that can be used by many people.

Japanese corporations assert that high patent payments as seen in the recent judgment impede the dissemination and application of new technology, and ultimately harm development of the economy.

On the other hand, the United States, which has posed this problem, probably would assert that if such measures were not authorized, the incentive for risking the challenge of basic research would be lost and impede the long-term advancement of technology.

In fact, how to "benefit the inventor" has become an important topic of debate among U.S. policy experts in recent years. So far, Japan has implemented numerous industrial policies initially under the name of protecting infant industries, and they have raised the banner of free trade after the industry has secured a certain competitiveness.

From the view of U.S. inventors, however, there is no compensation for the efforts of themselves, the forerunners, and it has come to be believed that ultimately there may be a problem in these rules of competition themselves. Along with the spreading so-called "gray area" problems that have no easy resolution as represented by the patent problem, a need has arisen for Japan to change its foreign affairs posture of previously conceding bit by bit when problems are posed by various foreign countries. By doing that, for the first time, it will be possible to curb simple pressure for controlled trade which takes advantage of new affirmative policy concepts in government intervention.

## 3. Mechanism for Special Interest Priorities

### 3.1 Democracy in Protection

Much experience, including U.S. auto regulations, has taught us that simple market intervention by the government as represented by controlled trade will somehow harm the economic welfare of the people.

It can be said that this point decidedly has not been introduced just on the level of expert opinion, but also in newspapers and magazines. Nevertheless, a tilt toward controlled trade is strengthening in almost all advanced nations, including the United States which previously had taken the lead in the postwar free trade system. In this period when the former socialist countries, which had continued to ignore market mechanisms, brought about destruction of their system and simultaneously are heading in the direction of a market economy, it must be said that the spread of controlled trade which is weakening vital market activity in the major advanced industrial nations is truly surprising.

Why have these countries which have come to be supported by the market now forgotten the merit of the market and turned toward controlled trade? Unfortunately, it is believed that contained within democracy itself today is a mechanism that forgets the interests of consumers overall and gives priority to the interests of specific industries and specific groups.

In "Democracy In Deficit: The Political Legacy of Lord Keynes" (the political economics of financial deficits) which James M. Buchanan, who had previously won the Nobel Prize for economics, co-authored with Richard E. Wagner, the problem of democratic societies inevitably having to embrace huge financial deficits is incisively analyzed. Similar to this, a mechanism exists which should be called "democracy in protection," so to speak, in which society today has turned toward protectionism rather than free trade.

The Buchanan analysis is very clear. In any age or society, increases in various government support for the people is, at first glance, agreeable to the people. It is so for investment expenditures for providing public capital, not to mention transfer payments such as social security expenses, and it probably further applies to government consumption expenditures.

In addition, the party receiving the investment and consumption expenditures is the private businessman, and government expenditures have the merit not only of providing public services as a result, but also in the sense of giving profit opportunities to specific industries. In the United States, actually about 70 percent of the aircraft industry and 60 percent of electronic communications equipment are purchased by the government, and increases or decreases in government spending is said to control the life or death of specific industries.

It goes without saying, however, that the expansion of this government spending ultimately must be financed by the tax burden on the people. In many cases, expansion of government spending is financed in the form of issuing government bonds. Then, the government bonds must be redeemed by increasing the future tax burden.

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# Daily Report

# East Asia

FBIS-EAS-92-208
Tuesday
27 October 1992

# Daily Report
## East Asia

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## World Business Convention Opens in Osaka

*OW1910125492 Tokyo KYODO in English 1227 GMT 19 Oct 92*

[Text] Osaka, Oct. 19 KYODO—The 1992 World Business Convention opened in Osaka on Monday attended by about 850 representatives from over 45 countries and regions.

The attendants will engage in business transactions and exchange information during the four-day session, organizers said.

Among countries attending the session for the first time are Mongolia and Latvia, while China has sent the largest delegation of 190, the sponsors said.

They said the individual business session will attract about 210 companies from overseas and about 300 Japanese firms and organizations.

The Japanese Government will hold a trade promotion seminar Tuesday and Wednesday on behalf of the Asia Pacific Economic Cooperation (APEC) forum.

Keizo Saji, chairman of the Osaka Chamber of Commerce and Industry, expressed hope for the success of the event in his address at the opening session.

## Japan Sea Economic Panel Organized

*OW2010120792 Tokyo KYODO in English 1144 GMT 20 Oct 92*

[Text] Osaka, Oct. 20 KYODO—A symposium on a Sea of Japan Economic Sphere and other events Tuesday marked the second day of the 1992 World Business Convention in Osaka.

Takuya Yoshida, a senior managing director of Itochu Corp., in an address to the symposium, stressed the need for the establishment of a regional development bank to promote projects in countries along the Sea of Japan.

A Chinese representative appealed to Japan for investment and technology transfer for Sino-Japanese economic and technology development zones to be set up in China.

U Koko Gyi, chairman of the Myanmar [Burma] Chamber of Commerce and Industry, in a separate meeting aimed at promoting sales of his country's products, said the country's economic policy will be liberalized next year when the military government transfers power to civilians.

Aurel Ghibutiu, head of the Romanian Chamber of Commerce and Industry, said at a news conference that his country's inflation has subsided since September to an annual rate of 3 percent from a monthly average of 8 percent for the preceding eight months.

He said Romania welcomes Japanese investment in manufacturing and infrastructure improvement projects.

V.V. Yefremov, mayor of Vladivostok, a strategic naval port on Siberia's Sea of Japan coast, called on Japan to increase aid to Russia by shelving a long-standing territorial dispute between the two countries.

Full discussions on the dispute will add to internal confusion in Russia, he said.

He said the expansion of Vladivostok airport and consolidation of Russia's banking system are making steady headway.

## ASEAN Economic Ministers Meet in Manila

### Seek More Japanese Investment, Cooperation

*OW2210153892 Tokyo KYODO in English 1515 GMT 22 Oct 92*

[Text] Manila, oct. 22 KYODO—Economic ministers of the Association of Southeast Asian Nations (ASEAN) have drawn up a four-point proposal designed to attract more investment and increase industrial cooperation with Japan.

The proposals are expected to be taken up when Japan's trade minister, Kozo Watanabe, and his ASEAN counterparts meet on Saturday following the two-day meeting of the economic ministers of the six-nation bloc.

The proposals include a review of the implementation of the ASEAN-Japan Development Fund, improvement of intellectual property protection, establishment of a program for developing small and medium-size enterprises in ASEAN, and application of the Ministry of International Trade and Industry's (MITI) green aid plan to provide technical support to improve the region's investment climate.

A draft joint ASEAN-Japan statement obtained by KYODO NEWS SERVICE says Japan will reassure its ASEAN partners that the region will "remain a priority area for Japanese investments" despite the recent decline in Japanese direct foreign investments.

Japan will also point out that while there may have been a decrease in the inflow of Japanese investments, ASEAN has increased its share of total Japanese foreign direct investments.

The draft statement says Japan projects an increase in its foreign direct investments in the medium- to long-term but also calls on ASEAN to take steps to improve the region's investment climate.

The measures Japan urges ASEAN to undertake include expanding the infrastructure, developing technologically-advanced facilities, and maintaining a pool of trained and skilled personnel.

On trade with ASEAN, Japan will explain recent policy measures to expand Japanese imports, and will also touch on its 10.7 trillion yen economic package to realize stable economic growth and expand its domestic demand.

The six-nation bloc, according to the statement, welcomes Japan's initiative and expresses the hope that ASEAN will take advantage of these measures, particularly in its development as a manufacturing base for Japan.

On Japan's generalized system of tariff preferences, ASEAN also expressed appreciation of Japan's decision to extend it until 2001, acknowledging Tokyo's efforts to further liberalize quota ceilings for certain products.

### Approve Accelerated Tariff Reduction

*HK2310130792 Hong Kong AFP in English 1231 GMT 23 Oct 92*

[Text] Manila, Oct 23 (AFP)—ASEAN economic ministers gave the go-ahead here Friday to an accelerated tariff reduction plan that would form the basis of a free-trade area to be established in the region within 15 years.

Expressing concern over the breakdown in global trade talks, the Association of Southeast Asian Nations agreed to speed up tariff cuts on 15 priority products under the ASEAN Free Trade Area (AFTA) program starting January.

"We have now got all the basics in place," Malaysian Trade Minister Rafidah Aziz told a news conference after the week-long ASEAN trade talks.

ASEAN—Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand—agreed at a summit last January to create AFTA by reducing tariffs on goods traded within the region to no more than five percent by 2008.

After this week's talks in Manila, they decided to cut tariffs on the 15 key sectors to the desired level within 10 years, although each country will be allowed to temporarily exempt a limited number of items under each sector.

Other products will be added to the list until the 15th year.

Aziz said the failure of General Agreement on Tariffs and Trade (GATT) negotiations showed that larger countries "can hold to ransom" smaller nations, which must band together to promote intra-regional trade.

The ASEAN talks were earlier snagged by the new Thai government's reluctance to fully join the accelerated tariff cuts.

But Thai Deputy Prime Minister Supachai Panitchpakdi on Friday pledged his country's full support to the tariff slashing plan.

In a joint statement ending their two-day meeting, the ASEAN ministers expressed "grave disappointment" over the GATT breakdown and attacked recent legislation in Austria to label so-called tropical timber products.

"We find it discriminatory," said Indonesian Trade Minister Arifin Siregar.

The AFTA Council, which will oversee the tariff reduction plan, will meet again in December to finalize the terms ahead of the program's January launch.

The ASEAN ministers also called for closer cooperation between their governments and business chambers on implementing AFTA.

The 15 priority products for accelerated tariff cuts are vegetable oils, cement, chemicals, pharmnaceuticals, fertilizers, plastics, rubber products, leather products, pulp, textiles, ceramics and glass products, gems and jewelry, copper cathodes, electronics, and wooden and rattan furniture.

The ASEAN economic ministers will meet with Japanese Trade Minister Kozo Watanabe on Saturday to discuss regional and bilateral issues.

Officials said the effects on global trade of the North American Free Trade Area (NAFTA) grouping the United States, Canada and Mexico will be one of the issues to be taken up by Watanabe with his ASEAN counterparts.

A draft of the ASEAN-Japan joint statement set to be issued after Saturday's dialogues states that the ministers "expressed their hope that NAFTA would not turn into a regional economic bloc."

It says the NAFTA should be consistent with the General Agreement on Tariffs and Trade and "should contribute to the economic growth, not only of NAFTA members but the other countries as well."

Japan is ASEAN's biggest trading partner, accounting for 11 percent of the six nations' total trade and supplying 14 percent of ASEAN's imports.

## Resolve 'Major Issues' on AFTA

*HK2310150792 Quezon City ABC-DWET Television in English 1300 GMT 23 Oct 92*

[From the "ABC-DWET News Program"]

[Text] The economic ministers of ASEAN settled all major issues that would have hindered the realization of the ASEAN Free Trade Area [AFTA]. The ASEAN ended today their week-long trade negotiations. Joey Guilos was there when he filed this report:

[Begin recording] [Guilos] The 24th ASEAN Economic Ministers Meeting concluded tonight without fully laying out a complete foundation for the eventual implementation of the ASEAN Free Trade Area, or the AFTA, supposedly the centerpiece of the Manila rendezvous.

During their two-day meeting, the ministers formalized the implementation of the common effective preferential tariff [CEPT] scheme by January 1 1993. Adopted were the terms of preference for the AFTA council for the CEPT, which the ministers said would pave the way for AFTA's implementation.

While the 15 sectors for acceleration have already been identified and approved by the ministers, the complete listing of products to be included in each sector was still left hanging. The acceleration timetable was nonetheless shortened further.

[Unidentified speaker, in progress] ...instead of 15 years, is now 10 years for products with tariffs above 20 percent, and for those with 20 percent and below, it is now seven years instead of 15 years.

[Guilos] While delays have been experienced due to the postponement of the AFTA council meeting last Wednesday [14 October], the ministers agreed that there is a bigger problem that needs to be resolved.

[Unidentified speaker, in progress] ...and the breakdown of the Uruguay Round would set back, you know, the multilateral trading system that we are working under at this stage.

[Guilos] When the AFTA council meets in Jakarta this coming December, implementing details of the agreement, including the rules of origin, operational procedures and products for inclusion, will still have to be discussed. But the drive to fully implement AFTA in the next 15 years remains strong.

[Unidentified speaker, in progress] ...for small countries within a region to start synergizing and start looking for sources of growth and future dynamism from amongst themselves and hoping that, by that alone, they can eventually contribute to that ideal [word indistinct] which we want to see happen. [end recording]

## Agree To Cut Tariffs on Regional Trade

*BK2410034092 Bangkok BANGKOK POST in English 24 Oct 92 pp 1, 3*

[Text] Peace apparently having been made between Thailand and the rest of ASEAN, economic ministers from the six countries concluded their two-day meeting in Manila yesterday pledging to start cutting tariffs on regional trade on January 1. But they left a number of key decisions to be reached in December at a meeting of the ministerial council set up to administer the lowering of trade barriers designed to create an ASEAN Free Trade Area (AFTA) by the year 2008.

Among the topics left to discuss are: detailed lists of the products that will and will not have tariffs cut and how to decide whether a product is a raw agricultural product—exempt from AFTA—or a processed product.

One issue that suffered a setback was the rule that will be used to determine whether a product can be described as made in an ASEAN country and therefore eligible for the lower tariffs. Earlier in the week officials had agreed that products identified as ASEAN-made would have to have at least 40 per cent of their content produced in one or more of the six countries, with 25 per cent or more made in the exporting country.

Sources say Lee Hsien Loong, Singapore's deputy prime minister and minister for trade and industry, vetoed the rule. It will now have to be reconsidered. The Singaporean objection is said to have arisen because goods leaving Singapore are mainly being trans-shipped with little local processing or manufacture. However, Singapore accepted the principle of 40 per cent ASEAN content. It was expected that the issue will be raised again at the December 11-12 meeting of the AFTA Council in Jakarta.

One source predicted that the 25 per cent minimum content for local production in the exporting country might have to be dropped because countries such as Thailand and Brunei agreed with the Singaporean position. Indonesia is most keen to see a rule requiring a large chunk of ASEAN content coming from the exporting country.

The major achievement of the ASEAN economic ministers' meeting was yesterday's trimming down of lists of products that countries wanted exempt, at least in the initial stages, from liberalisation.

Thailand had originally wanted to exclude seven entire sectors from the 15 that ASEAN has earmarked for accelerated tariff cuts to 0-5 per cent in seven to 10 years. Indonesia had wanted to exclude two, pharmaceuticals and copper cathodes. Now all six countries have pledged to liberalise all 15 sectors, although they will still exclude some products within those sectors. Those lists will be examined by the AFTA Council, a technical ministerial committee reporting to the ASEAN economic ministers.

Philippine Trade and Industry Secretary Rizalino Navarro, who chaired this week's ministerial meetings, predicted at the closing press conference that the discussions will not be substantial enough to require the economic ministers to intervene. The conclusions of the meeting could be reported to the economic ministers in their respective capitals for approval without having to convene a formal meeting, he said.

Mr Navarro told the BANGKOK POST that some tariffs could be slashed to O per cent immediately on January 1. ASEAN members were close to agreement on this, he went on. But he added that he could not reveal details because these would still have to be negotiated over the coming weeks.

Asked whether cement pulp and fertiliser were candidates because their tariff rates are already low, Mr Navarro acknowledged that they might be.

Officials estimate that the 15 sectors designated for accelerated liberalisation cover 4,000 products as defined at the most detailed level by the international categorisation system used for customs duty collection. They say this represents a substantial chunk of the total of 6,000 to 7,000 products identified as tradable by ASEAN's member countries.

Thai Deputy Prime Minister Suphachai Phanitchaphak described Thailand's latest offer as "a real improvement on the original list."

One proposal that ministers discussed but that has not received much attention is the request from Malaysia and Singapore for goods not currently designated for accelerated liberalisation to have their tariffs cut to 0-5 per cent within seven years if their present rates are already below 20 per cent. Non-Thai officials said there was some response to this but other ASEAN members were not too keen and it was not being treated as a priority.

Dr Suphachai said Thailand might agree, but only as part of an exchange of concessions. He faced some questioning from other delegations about Thailand's difficulty in attending this week's meetings, about the original list of products to be excluded from tariff cuts that would have been the least liberal in ASEAN, and Thailand's argument now dropped, that the AFTA Council should not report to ASEAN economic ministers but the group's heads of government. He said yesterday evening that he felt some confidence in Thailand's commitment to liberalisation had been restored.

Malaysian International Trade and Industry Minister Rafidah Aziz said she was happy with Thailand's explanations. On Thursday she had been one of the most outspoken critics, saying she could not understand Thailand's position and issuing a veiled warning against "unwise" and "immature" bureaucratic constraints. She said she was still worried about bureaucratic problems in general, however.

AFTA is being introduced over a period of 15 years and "I will always be concerned," she said.

Decisions reached by the ministers on Thursday and yesterday include terms of reference for the AFTA Council and structural reorganisation of the economic side of ASEAN affairs. One proposal that ministers instructed officials to study is for the economic ministers to start dialogues with other countries in their own right.

At present ASEAN's foreign ministers handle external relations. The economic ministers want to set up a dialogue, for example, with the European Community Commission, which is responsible for trade relations. The ministers also signed a new agreement offering improved terms for officially-recognised ASEAN Industrial Joint Ventures, a promoted scheme that has not won much favour from the private sector.

At the request of Malaysia and Indonesia, the ministers expressed concern that the Austrian government has passed legislation requiring that imported tropical timber be labelled as to whether the planting and felling is ecologically sound. They said they would send a note to Vienna registering their concern.

Indonesian Trade Minister Arifin Siregar said ASEAN objected on three counts: Austria's failure to consult ASEAN, the discrimination of the legislation which did not require wood from temperate forests to be labelled, and the implied criticism of practices in ASEAN countries. He denied that Indonesian timber was being felled in a way that damages the ecology. Dato Seri Rafidah said that although the economic loss from the Austrian law might be small, the law was a precedent ASEAN would not like to see emulated elsewhere.

## Criticize U.S., EC on GATT

*BK2410034892 Bangkok BANGKOK POST in English 24 Oct 92 p 13*

[By BANGKOK POST reporters in Manila]

[Text] Leading Asian ministers expressed concern yesterday about the failure of the United States and the European Community to bridge what is reported to be only a narrow gap that divides them on the Uruguay Round of world trade talks.

ASEAN economic ministers, concluding two days of talks mainly devoted to trade liberalisation in the region, expressed "grave disappointment". And the Japanese Minister for International Trade and Industry, Kozo Watanabe, expressed annoyance that the two economic giants were holding up the well-being of the rest of the world.

The ASEAN ministers said they were seriously concerned that "calculated and limited trade wars" could break out between major trading nations and that this would hurt smaller countries. They were apparently referring to the related dispute between the United States and the EC over the EC's protection and subsidies for oilseeds and the threatened exchange of retaliatory trade sanctions by both sides.

In a press statement, the ASEAN ministers said they were "of the view that such crisis would set back the multilateral trading process which most countries have contributed to build over the past few years".

One of the strongest personal statements came from Malaysia's outspoken minister for international trade and industry, Rafidah Aziz. She accused the major economies of holding the rest of the world to ransom. The only way for small countries to counter the threat is to get together to increase their bargaining power and to create closer economic cooperation among themselves in order to generate growth and contribute to the multilateral trading system, she said. The ASEAN Free Trade Area and the Malaysian-proposed East Asian Economic Caucus were suitable means, she said.

Thai Deputy Prime Minister Suphachai Phanitchaphak expressed a fear that the breakdown of the talks would lead to "large countries" putting unilateral pressure on Thailand instead of using rules that have been agreed globally. Deadlock in the talks is particularly unfortunate right now because the world economy is slowing down and public opinion around the world tends to become more inward-looking, he said.

Because of increasing pressure and threats of trade sanctions from countries such as the United States, Thailand might have to try harder to diversify its export markets into Asia, he said. Although Thailand has been successful at diversifying, for example its exports to the Middle East have grown rapidly, it would not be in the country's interests to be forced to abandon the US market, he said.

Mr Watanabe's comments were made after a meeting with Philippine President Fidel Ramos, shortly after the Japanese minister arrived in Manila for a meeting with ASEAN ministers today.

"I have repeatedly stated that it is quite annoying, not only for Japan, but also for ASEAN and other Asian countries, that we have to wait while the United States and the EC talk among themselves," he told reporters through an interpreter at Malacanang Palace.

Altogether 108 nations are participating in the Uruguay Round which has been deadlocked for almost two years mainly because the EC and United States cannot agree on cuts in subsidies and protection for agriculture.

## Japan

### U.S. To Drop Demand on GATT Financial Service

*OW2710142992 Tokyo KYODO in English 1257 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—The United States appears to be ready to ease its stance on the opening of the financial markets in developing countries as part of the Uruguay round of multilateral trade talks, Japanese Government sources said Tuesday.

The U.S. had earlier demanded bilateral negotiations with developing countries slow in the opening of their financial markets, instead of applying the Most-Favored-Nation (MFN) clause, the sources said. Under the MFN clause, all member nations of the General Agreement on Tariffs and Trade (GATT) must apply market-opening measures to all foreign enterprises across the board.

The U.S. proposal was made because many structural impediments in the financial service field remain in developing nations, and the MFN principle leads to forcing advanced nations to open their markets even to countries structurally lagging in free markets.

The sources said the U.S. has already informed its intention to drop the proposal to the European community at talks held earlier this month in Brussels.

Against the backdrop, the EC has sent a note urging for concessions to India, Brazil, and other developing nations which have taken a cautious stance on freeing their financial markets under the Uruguay round, the sources said.

Asked if Japan would follow the EC in sending a similar note to developing nations, the sources said it would be difficult for Japan to actively persuade southeast Asian nations on the matter as such moves could be taken as "Asia bashing."

### Polls Show Clinton Holding Lead Over Bush

*OW2710065792 Tokyo KYODO in English 0553 GMT 27 Oct 92*

[Text] Los Angeles, Oct. 26 KYODO—Democratic presidential nominee Bill Clinton still retains the upper hand over President George Bush among Californian voters, a LOS ANGELES TIMES poll showed Monday.

The statewide survey found Clinton backed by 47 percent of those polled, 19 percentage points ahead of Bush on 28 percent, with Texas billionaire Ross Perot, taking 20 percent.

Other candidates had 1 percent, and 4 percent were undecided, the poll showed.

A September 10-13 poll by comparison found Clinton leading Bush by 21 points, 49 percent to 28 percent, with Perot at 17 percent.

Counting only those likely to vote in the latest poll, Bush gained some ground with 32 percent, still trailing Clinton with 47 percent. Perot had 18 percent, and 3 percent were undecided.

The survey was conducted for four days ending Friday by telephone interviews of 1,110 registered voters, of whom 833 were likely to vote in the November 3 election.

The margin of error is plus or minus 3 percentage points for all registered voters and 4 points for likely voters.

### Mazda Cancels Plan for U.S. Car Dealer Network

*OW2610040192 Tokyo KYODO in English 2337 GMT 25 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—Mazda Motor Corp. is to cancel a plan to establish a dealership network for luxury cars in the United States because of poor domestic sales and a deterioration in earnings due to the higher yen, the NIHON KEIZAI SHIMBUN reported Monday.

The major business daily said the decision could lead to the cancellation of a 50 billion yen project to develop two models of 4000 cc [cubic centimeter] 12-cylinder luxury cars to compete with Toyota Motor Corp.'s Lexus models.

Mazda had been preparing to sell the luxury car through a new dealership network starting in the spring of 1994, but unexpectedly slow domestic sales and a yen-induced erosion in export earnings forced it to review the project, the newspaper added.

### Tokyo Appeals EC Dumping Duties on Cassettes

*OW2710044492 Tokyo KYODO in English 0154 GMT 27 Oct 92*

[Text] Geneva, Oct. 27 KYODO—Japan appealed Monday to an international trade body over the imposition of antidumping duties by the European Community (EC) on audio cassette imports from Japan, Japanese officials said.

The appeal was filed with the committee on antidumping practices of the General Agreement on Tariffs and Trade (GATT) in Geneva, the officials said.

The appeal said the duties were unreasonably high and asked GATT to set up a special subcommittee to settle the dispute.

The GATT committee proposed to postpone a committee meeting until Tuesday while Japan and EC officials negotiate the specific agenda of the meeting, the officials said.

Since November 1990, the EC commission has slapped antidumping duties of 15 percent to 25 percent on audio cassettes imported from Sony Corp., TDK Corp., and other Japanese manufacturers.

Japan and the EC have been negotiating on the duties through GATT's arbitration since July 9.

This is the second time for Japan to appeal to the GATT disputes settlement panel, following a 1988 appeal against EC antidumping duties on copiers and printers imported from Japan. Japan won that appeal.

### EC Official Cancels Visit Due to Uruguay Round

*OW2710123192 Tokyo KYODO in English 1057 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—European Community (EC) Commissioner for External Relations Frans Andriessen on Tuesday canceled his planned visit to Japan, EC officials said.

Andriessen was scheduled to attend an international conference in Tokyo on Thursday and Friday on humanitarian and technical assistance to the former Soviet Union, the officials of the EC's Japan office said.

Jean-Louis Cadieux, deputy director general for external relations, will take part in the conference on behalf of Andriessen, they said.

Andriessen had originally planned to stop over in Hong Kong on his way to Tokyo and visit China after the conference, they said.

However, they said the vice present of the EC commission was canceling the whole Asia tour this time, but will possibly visit Japan some time before the end of the year.

Foreign Ministry officials said early Tuesday that the ministry was informed by the EC commission in Brussels that Andriessen had put off the planned trip because he was busy working on the Uruguay round of multilateral trade talks, which are believed to nearing the conclusion.

### Miyazawa, France's Chirac Support Aid to CIS

*OW2710122992 Tokyo KYODO in English 1055 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Prime Minister Kiichi Miyazawa and former French Prime Minister Jacques Chirac agreed Tuesday on the need to continue support for Russian President Boris Yeltsin's reform efforts, a Foreign Ministry official said.

The agreement came on the eve of a two-day multilateral aid conference for the former Soviet Union opening here Thursday.

Miyazawa told Chirac, now mayor of Paris, that French voters' approval of the Maastricht Treaty on European union was a wise move for the future of Europe, the official said.

German Chancellor Helmut Kohl may have underestimated the cost of German unification, however, politically he had to move toward unification when he did or he would have lost at the polls, Miyazawa was quoted as saying.

Chirac, here to celebrate 10 years of sister-city relations with Tokyo, said it is unlikely that European monetary union can be achieved by the 1999 target, the official said.

But even if the Maastricht Treaty is rejected, a superior treaty will be drawn up paving the way for European union, Chirac was quoted as saying in the hour-long meeting.

### Comment Declined on Chinese Protester's Arrest

*OW2610090092 Tokyo KYODO in English 0807 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—Japan declined to comment Monday on China's reported arrest of a Shanghai man who went on hunger strike to demand an apology from Emperor Akihito for Japan's wartime invasion.

Chief Cabinet Secretary Koichi Kato said the incident was purely a "domestic matter" and declined to say whether Japan viewed the reported arrest as a human rights concern.

On Friday police took into custody Bao Ge, a medical technician who had told foreign journalists earlier in the week he would go on hunger strike during the emperor's visit, a report said.

He also reportedly said he would immolate himself should the emperor fail to apologize for Japan's wartime atrocities that left millions dead.

Emperor Akihito said at a banquet Friday he deeply deplored the sufferings Japan inflicted during the war, but Bao's associates reportedly said the remarks were insufficient.

### Group Claims Responsibility for Burned Shrines

*OW2710074592 Tokyo KYODO in English 0508 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—The leftist extremist group Chukakuha (middle core faction) claimed responsibility Tuesday for two fires which destroyed buildings at shrines in Ehime and Aichi Prefectures last Friday.

The Chukakuha, in a letter that reached KYODO News Service on Tuesday, said it set fire to the buildings to protest the October 23-28 visit to China by Emperor Akihito.

Police found the remains of batteries and leads after fires destroyed a sanctum in the Ooyamazumi shrine on Oomishima Island, Ehime Prefecture, and a similar complex dedicated to ancestral spirits near a tomb known as the Junkoku Shichishi (tomb of the seven martyrs) in Hazu, Aichi Prefecture.

The Ooyamazumi shrine, which is on a major shipping route in the inland sea, is worshiped as a protector of seafarers and warriors.

It houses about 80 percent of the nation's armor and helmets designated as important cultural treasures.

The building burned in Hazu was known as the Senshinkaku.

It housed the ashes of Gen. Hideki Tojo and six others convicted and executed by allied occupation forces as class a war criminals after the end of World War II.

The Chukakuha said in its letter that it targeted the Ooyamazumi shrine sanctum "because it stands at the forefront of glorification of the emperor system" and the structure in Hazu "because it enshrines Class A war criminals."

The radical group said it "executed the attack in anger at Akihito, who refuses to apologize for (Japan's) domination of its colonies and war of aggression."

## Tokyo Not To Transfer Frozen Iraqi Funds to UN

*OW2610144492 Tokyo KYODO in English 1417 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—Japan will not order the transfer of frozen Iraqi funds here to the United Nations to pay for U.N. costs relating to the aftermath of the Persian Gulf war, Foreign Ministry officials said Monday.

Citing an exception allowed by a resolution on the matter passed on October 2 by the U.N. Security Council, one Foreign Ministry official, speaking on condition of anonymity, said, "we (are) not required by this resolution to transfer assets to the U.N."

Resolution 788 allows the U.N. to confiscate up to 200 million dollars from each country holding Iraqi oil revenues. The money is to be used to pay for humanitarian aid programs in Iraq, U.N. weapons inspections, and compensation for individuals who lost their possessions after fleeing Iraq in the wake of its August 1990 invasion of Kuwait.

U.S. President George Bush on Wednesday ordered American financial institutions holding frozen Iraqi funds to release them for transfer to a U.N. escrow fund.

Officials said Japan, which voted in favor of the resolution as a nonpermanent member of the Security Council, needs not transfer any frozen Iraqi funds in banks here because of a clause in the resolution exempting assets under control or claim of a third party.

Iraq's overseas assets at the time of the August 6, 1990 freeze were estimated at as high as 5 billion dollars, most of that amount in U.S. accounts. Officials would not reveal the amount of Iraqi assets in Japan.

Iraqi officials have denounced the first ever U.N. seizure of a country's money as an act of piracy and "Texas-style bank robbery," and have appealed to governments and banks not to comply.

## Latin Americans Oppose Plutonium Vessel Passage

*OW2710062392 Tokyo KYODO in English 0551 GMT 27 Oct 92*

[Text] Mexico City, Oct. 27 KYODO—Five Latin American nations bordering the Pacific agreed in a meeting in Quito on Monday that they will refuse to allow a Japanese ship carrying plutonium to pass through their territorial waters.

The decision to bar the ship from their ports and territorial waters came in the meeting of the South Pacific Permanent Commission (SPPC), which is made up of Colombia, Chile, Ecuador, Panama and Peru.

The commission said it urged the Japanese Government to prevent the ship, the Akatsuki Maru, from using such routes as the Panama Canal or Cape Horn.

The 3,800-ton Akatsuki Maru is now on its way to Cherbourg, France to pick up and carry home a ton of the plutonium for use as fuel in a fast-breeder nuclear reactor.

Citing security reasons, the Japanese Government has kept the ship's course secret, resulting in a spate of speculation about which route it will take.

Other than the five SPPC countries, Argentina, Brazil and Caribbean states have already expressed their opposition to the passage of the Akatsuki Maru and its deadly cargo through their territorial waters.

Ecuador's Deputy Foreign Minister Jaime Marchan reportedly told the Quito meeting that whatever precautions might be taken, the plutonium "presents a real danger to health and the environment."

## Nicaragua Official Informs Miyazawa of Needs

*OW2610104392 Tokyo KYODO in English 0835 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—The President of Nicaragua's National Assembly, Alfredo Cesar, told Prime Minister Kiichi Miyazawa on Monday that his country needs foreign investment, a Foreign Ministry official said.

Cesar, here on an eight-day visit at the invitation of Japan's parliament, cited five areas where his country is seeking foreign investment, the official said.

They are farming, fishing, forestry, mining, and in small and medium-sized industry.

Foreign investment from major industrialized countries dried up in the decade of civil war during the Sandinista government, which was ousted from power in the 1990 presidential election.

Japan has made no new investments in recent years, the official said. Accumulated Japanese investment amounts to 4 million dollars in six projects.

Cesar will travel to Nagoya, Kyoto and Hiroshima before leaving Japan on Saturday.

### Ozawa Says No 'Immediate Break' From Faction

*OW2310144892 Tokyo KYODO in English 1238 GMT 23 Oct 92*

[Text] Tokyo, Oct. 23 KYODO—Ichiro Ozawa signaled Friday he will not make an immediate break with the ruling party's biggest faction following his rival Keizo Obuchi's rise to the chairmanship.

Ozawa, the hand-picked successor of disgraced power-broker Shin Kanemaru, said he plans to attend a general meeting of the faction next week to seek support for his view that Obuchi's rise to faction head is invalid.

Obuchi, 55, a former secretary general of the Liberal Democratic Party, was declared chief of the faction founded by former Prime Minister Noboru Takeshita late Thursday night after five members of the eight-member selection panel backed his bid for leadership.

The decision was made in the absence of Ozawa, also a former party secretary general, and two other panel members who back Finance Minister Tustomu Hata's candidacy for the chairmanship. They are Hajime Funada and Moriyoshi Sato.

At a news conference, Ozawa, 50, said he would seek a negotiated settlement to the rift that threatens to split the faction.

Earlier in the day, Obuchi visited Kanemaru, 78, Takeshita, 68, and LDP executives and faction leaders to offer greetings as the new faction head.

Kanemaru, who resigned following public outcry over his involvement in the Tokyo Sagawa Kyubin scandal, reportedly urged Obuchi to avoid taking any action that would cause the 109-member faction to break up.

The faction, previously led by former Prime Minister Kakuei Tanaka, has exercised substantial control over plum political posts for the past two decades by virtue of its large size. It currently accounts for more than one-fourth of all LDP Diet seats.

Of the 67 Takeshita faction members in the powerful House of Representatives, 36 support Ozawa, 17 Obuchi, and 14 are uncommitted.

The loyalties of the 42 Takeshita faction members in the less powerful House of Councillors was unclear Friday, as four members challenged an earlier statement by upper house faction leader Shigeno Sakano that the entire group backed Obuchi.

At the news conference, Ozawa deflected questions on how he would satisfy public demand for a thorough investigation of the Sagawa Kyubin scandal that toppled his mentor Kanemaru, saying it is a separate issue from the selection of a faction leader.

Defending the system of factions, Ozawa said it "is important to eliminate their evils" by implementing political reform but they are not inherently bad.

"In any country, any society, people have compatriots with whom they share the same likes and dislikes and the same policies. There can be no human society if this is completely denied," Ozawa said.

Earlier Friday Transport Minister Keiwa Okuda in the pro-Ozawa camp indicated the dispute could lead to "a de facto breakup" of the faction.

"I think efforts to patch the crack will be made but it will be difficult to reconcile," Okuda told reporters. "It is necessary to have time to discuss whether to form a new (policy) group or a new party."

Hata, 57, whom Ozawa tapped as candidate for faction head, criticized the choice of Obuchi, which came at a meeting of senior leaders that Ozawa loyalists did not attend.

"Why did they do reckless things while three of the eight were absent? The procedures were faulty," he said.

Since Sunday eight senior faction leaders have met intermittently to discuss a successor to Kanemaru, who stepped down in August as LDP vice president and quit the Diet on October 14 after he admitted receiving money from the Tokyo Sagawa Kyubin delivery company and was fined 200,000 yen after a summary indictment.

After an overnight conclave through Thursday morning, Ken Harada, who chairs the eight-man committee, nominated Obuchi as the man to succeed Kanemaru.

The LDP is a coalition of five factions based on personal allegiances to leaders, who are expected to secure campaign funds and political posts for their members. There is little difference in policies among the factions.

Kanemaru is believed to have distributed the 500 million yen he received in illegal political donations from Tokyo Sagawa Kyubin to faction members for campaign funds.

### Diet Members Dubious of Contributions Reports

*OW2510094292 Tokyo KYODO in English 0817 GMT 25 Oct 92*

[Text] Tokyo, Oct. 25 KYODO—Over 60 percent of Diet members responding to a survey on political reforms do not trust annual reports on political contributions by their colleagues, the Political Reforms Promotion Council said Sunday.

The council survey also revealed that 80 percent of the responding legislators blame the incessant string of scandals that plague Japanese politics on the administrative system.

They stressed the need for fundamental reforms of the system of multiple-seat election districts used to select lawmakers for the House of Representatives.

The council surveyed 2,113 people, also including members of the financial and economic worlds and labor officials, from October 6 to 16. An overall 56 percent of the subjects responded, including 432 Diet members.

Representing 57.5 percent of the Diet membership, the responding legislators included 182 members of the ruling Liberal Democratic Party (LDP), 62 Social Democratic Party (SDP) members, 43 from Komeito, and 30 Rengo legislators.

A total of 94.4 percent of the responding lawmakers said in the poll there has been no progress in political changes since three reform bills were defeated last fall.

In the wake of the Tokyo Sagawa Kyubin scandal, 63.2 percent of the responding Diet members said they have difficulty trusting the annual political contributions reports. This includes 58.8 percent of the LDP members, 59.9 percent of the SDP legislators, and 93 percent of Komeito.

Nearly two-thirds of the lawmakers, 61.6 percent, blamed the illegal political contributions scandals on the political and administrative system, while only 32.9 percent said it was a problem of dirty politicians who are individually responsible for their deeds.

A full 86.3 percent called for changes in the multiseat system, saying it gives life to a politics that has no sense of urgency and lacks changes of administration.

Others added the system fails to change the situation in which politics is dominated by money.

As for proposed changes, 63.5 percent said a new system including single-seat constituencies and proportional representation should be introduced. Half of the LDP members said they were in favor of a simple single-seat election district system.

Seventy-two percent of the responding legislators called for relaxing intra-party restriction on individual party members' opinions and activities on election system reforms and guaranteeing free debates on the reforms beyond such intra-party control.

### Hosokawa Chides LDP, Seeks General Election

*OW2510104992 Tokyo KYODO in English 0822 GMT 25 Oct 92*

[Text] Miyazaki, Oct. 25 KYODO—Japan New Party leader Morihiro Hosokawa urged Prime Minister Kiichi Miyazawa on Sunday to dissolve the powerful House of Representatives and call a general election.

"The Liberal Democratic Party [LDP] is not functioning," Hosokawa said of the ruling party hit by a fresh money scandal and intraparty factional fighting. "The (main) opposition parties should step up calls for the dissolution of the cabinet."

In a speech on the Sagawa Kyubin money scandal and the power struggle within the LDP's largest faction, the maverick political leader said the right thing for Miyazawa to do—with his cabinet's approval rating barely above 10 percent—is to dissolve the lower house to get a fresh mandate from the Japanese public.

Hosokawa, a former Kumamoto governor and LDP House of Councillors member, this spring launched the Japan New Party, with Hosokawa and three others winning seats in the July 26 upper house election, riding a wave of anti-incumbent sentiment among Japanese voters.

He said his party has a list of about 30 candidates, including incumbent LDP legislators, for a lower house election. He added that he wants to boost the list to 40 to 50 by next fall should such an election be held then.

### Prosecutors Question Kanemaru's Secretary

*OW2410190092 Tokyo KYODO in English 1522 GMT 24 Oct 92*

[Text] Tokyo, Oct. 24 KYODO—Prosecutors questioned a secretary to fallen kingmaker Shin Kanemaru Saturday [24 October] in an attempt to unravel the final distribution of 500 million yen Kanemaru had received in illicit contributions from the scandal-ridden parcel delivery firm. Prosecutors questioned Masahisa Ikuhara, 48, a secretary to Kanemaru, on how the money was used.

The Tokyo District Public Prosecutors' Office had closed the case by filing a summary indictment against Kanemaru on September 28 on charges of the violation of the political funds control law. Kanemaru, 78, who in 1990 received the money from Hiroyasu Watanabe, then president of Tokyo Sagawa Kyubin Co., paid a fine of 200,000 yen without being personally questioned or standing trial. The law sets a ceiling of 1.5 million yen on political donations a politician may receive from any individual or corporation in a single year. Violaters face fines of up to 200,000 yen.

Prosecutors had questioned the secretary earlier, before filing the summary indictment against Kanemaru. Ikuhara reportedly told prosecutors at the time that Kanemaru had distributed the money to some 60 members of the governing party's largest faction, which he headed.

Kanemaru resigned as vice president of the ruling Liberal Democratic Party in late August and from the Diet on October 14 amid public outrage over the money scandal and allegations that both Kanemaru and former Prime Minister Noboru Takeshita had been involved with organized crime. However, public outcries over what many people viewed as an overly lenient punishment mounted.

Since Kanemaru received the summary indictment the Tokyo District Public Prosecutors' Office has received five formal legal complaints seeking that charges be laid against some 60 so-far-unidentified politicians who allegedly received portions of the 500 million yen from Kanemaru. Some accused Kanemaru of also violating the Income Tax Law by receiving the 500 million yen.

## Partial Access to Documents on Kanemaru Approved

*OW2610144592 Tokyo KYODO in English 1434 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—The Tokyo district court approved Monday a journalist researcher partial access to documents held by prosecutors on retired political power broker Shin Kanemaru's involvement in a major money scandal.

Presiding Judge Takeo Nakanishi said it is illegal for the Tokyo District Public Prosecutors' Office to refuse the researcher access to documents on Kanemaru's involvement in the Tokyo Sagawa Kyubin scandal.

The court ordered the prosecution to release some of its documents, including copies of the name lists of Kanemaru's secretaries and political funds balance sheets of organizations supporting Kanemaru.

But it did not approve the release of testimonies by Hiroyasu Watanabe, former president of the Tokyo Sagawa Kyubin delivery firm, and those by Kanemaru's secretaries.

The judge said the release of such documents would affect future investigations into the case because it would clarify specific situations regarding the providing and receiving of money, thus making it more likely that evidence would be destroyed.

On October 14, Yasuji Nakamura, the 71-year-old researcher, demanded of the Tokyo prosecution access to all of its documents on Kanemaru to use for his research.

The prosecution, however, refused the demand, saying it would affect its own investigation into cases connected with the scandal.

Kanemaru's conviction became final that day since neither he nor the prosecution demanded a formal trial against a summary court decision ordering him to pay a 200,000 yen fine on violation of the Political Funds Control Law.

In September, the prosecution filed a summary indictment against Kanemaru for receiving 500 million yen in illegal donations from Tokyo Sagawa Kyubin.

The law bars politicians from receiving more than 1.5 million yen from a single individual or corporation in a year.

Kanemaru, former vice president of the ruling Liberal Democratic Party, paid the fine and was neither questioned nor summoned before the court.

Kanemaru resigned as LDP vice president in late August, and on October 14 he announced he was giving up his seat in the House of Representatives in response to mounting public outcry against him.

## Campaign Launched Against Money-Driven Politics

*OW2610043192 Tokyo KYODO in English 0335 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—A Tokyoite on Monday launched the "Black Feather Community Chest," an apparent parody of the popular annual Red Feather Community Chest drive, to protest the money-powered politics of the ruling Liberal Democratic Party.

This and other similar grassroots protests come in the wake of the money-and-mobster scandal involving former political kingpin Shin Kanemaru.

Kazutomo Sato, 42, a construction worker of Fuchu, Tokyo, launched his one-man campaign in front of the members' hall of the House of Representatives at Nagatacho, central Tokyo, calling for all corrupt legislators to be ostracized in politics.

With black feathers and a collection box in his hands, Sato urged parliamentarians and passers-by to put an end to the "charity drive" of corrupt politicians.

Sato told reporters that if he can collect in donations more than he used for his Black Feather Campaign, he plans to present a gift of money to Kanemaru. He said Kanemaru "might be in trouble" after paying a fine of 200,000 yen for his illegal receipt of 500 million yen from the Tokyo Sagawa Kyubin Trucking Firm.

Sato said he will ask opposition parties and local assemblies to support his campaign.

In a related development, a company president of Kawaguchi, Saitama Prefecture, started the sale of some 3,000 black badges against corruption in politics.

Kunihiro Yamaguchi, 43, said he produced the badges because of his anger over political corruption. He denied having any political or religious motive for launching the black badge sales.

The Chinese character for "no" is inscribed in red on the four-centimeter-diameter black badge. The name "Nagatacho," the center of the Japanese political world where the Diet building is located, is also inscribed on the badge.

The badges costs 200 yen each, Yamaguchi said.

### Drives Against Kanemaru, Takeshita Gain Momentum

*OW2710075392 Tokyo KYODO in English 0739 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—A group of lawyers launched a nationwide drive Tuesday to ask more of their kind to join in campaigns against disgraced politician Shin Kanemaru for his role in the Tokyo Sagawa Kyubin money scandal, organizers said.

The organizers said they will ask about 15,000 lawyers across the country to join them and file complaints with prosecutors in November.

They will demand charges against Kanemaru for his violation of the Political Fund Control Law and urge prosecutors to fully clarify the scandal.

Kanemaru, one of Japan's most powerful politicians, resigned as vice president of the ruling Liberal Democratic Party (LDP) in late August for accepting a 500 million yen illegal contribution in 1990 from the now-defunct Tokyo Sagawa Kyubin Co., a major trucking company.

The Tokyo public prosecutors' office ended the investigation of the case by filing a summary indictment against Kanemaru on September 28.

Kanemaru paid a 200,000 yen fine without being questioned or standing trial. He resigned from parliament on October 14 in the wake of public anger over the perceived leniency of the punishment.

The lawyers will also file a complaint seeking charges against some 60 unidentified politicians who allegedly received money out of the 500 million yen from Kanemaru, the organizers said.

The lawyers said Kanemaru and those politicians violated the limitations on donations a politician may receive from a single source in one year. The law sets a ceiling of 1.5 million yen and violators face a fine of up to 200,000 yen.

Meanwhile, a member of the LDP chapter in Shimane Prefecture, from where former Prime Minister Noboru Takeshita hails, sent letters to supporters saying Takeshita should resign from the Diet for his role in the scandal, sources said.

The sources said the local politician insisted in the letters that the Shimane Prefectural Assembly should adopt a resolution demanding the resignation.

Kanemaru allegedly asked the head of a major mobster group through the former president of Tokyo Sagawa Kyubin to quash a right-wing group's harassment campaign against Takeshita in 1987 when he was running for the premiership.

The Higashi Osaka City Assembly in Osaka Prefecture adopted a resolution Tuesday seeking to clarify the scandal by summoning Kanemaru and Takeshita to testify in an extraordinary Diet session that starts Friday.

### LDP Proposes Takeshita Testify in Diet Session

*OW2710075292 Tokyo KYODO in English 0742 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—The ruling Liberal Democratic Party (LDP) said Tuesday former Prime Minister Noboru Takeshita would testify in the Diet on his alleged relations with a crime syndicate boss.

LDP Diet Affairs Committee Chairman Seiroku Kajiyama made the remark in a meeting with his counterparts of the Social Democratic Party (SDP) and other opposition parties.

Kajiyama said Takeshita could give his testimony to the Diet's Political Ethics Investigation Committee.

He said there is also a possibility of the former prime minister testifying in the Diet as a witness.

Opposition parties did not endorse the LDP proposal, instead demanding Takeshita testify as a sworn witness in the parliament.

The late Inagawa-kai syndicate boss Susumu Ishii allegedly helped Takeshita become prime minister in November 1987 by halting harassment of him by a right-wing group.

The political ethics investigation committee was set up in December 1985 after the Tokyo district court found former Prime Minister Kakuei Tanaka guilty of involvement in the Lockheed payoff scandal.

However, the Diet has not held any meeting of the committee since it was established.

### Takeshita Plans To Testify on Alleged Mob Links

*OW2710135192 Tokyo KYODO in English 1327 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Former Prime Minister Noboru Takeshita said Tuesday night he plans to appear before the Diet to explain the alleged role of a gang boss in helping him become prime minister in 1987.

Takeshita made the remark at a publication celebration party for a ruling Liberal Democratic Party (LDP) member held at a Tokyo hotel.

He declined to specify where he will speak.

The late Inagawa-kai syndicate boss Susumu Ishii allegedly helped Takeshita become president of the LDP, which carries with it the prime ministership, by halting harassment of him by a right-wing group.

Takeshita has told LDP Diet Affairs Committee Chairman Seiroku Kajiyama that he wants to speak on the issue in the Diet's political ethics council, LDP sources said.

Earlier in the day, Kajiyama said in a meeting with his counterparts of the Social Democratic Party and other opposition parties that Takeshita could give his testimony at the council.

He said there is also a possibility of the former prime minister testifying as a witness.

Opposition parties did not endorse the LDP proposal, instead demanding that Takeshita testify as a sworn witness in the extraordinary Diet session, to be convened on Friday.

The Political Ethics Council was set up in December 1985 after the Tokyo district court found former Prime Minister Kakuei Tanaka guilty of involvement in the Lockheed payoff scandal.

However, the Diet has not held any meeting of the council since it was established.

## Komeito Urges 'Clarification' of Sagawa Scandal

*OW2710085692 Tokyo KYODO in English 0842 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Japan's second largest opposition party Komeito will use an upcoming exraordinary Diet session to press for a full clarification of the Sagawa Kyubin money scandal and the implementation of an 18-point political reform program, party leader Koshiro Ishida says.

Ishida said in an interview with KYODO News Service that all opposition parties should join forces to fully investigate the Sagawa scandal.

He complained that the largest opposition Social Democratic Party (SDP) still lacks an independent, resolute attitude in the matter.

He said the implementation of the 18-point reform package requiring stronger controls of political donations as well as their publication agreed upon by government and opposition was a prerequisite before "the next bridgehead (for sweeping political reform) can be built."

He likened the Sagawa scandal to a political earthquake, because it had convinced people in political circles that a change in the present multiseat constituency election system is a prerequisite for political reorganization.

He said Komeito will have to discuss its own future course at the upcoming party congress scheduled for the end of November, but conceded, "the fireworks have just been set off" and the way to proceed is not yet visible.

He also said Komeito will distance itself from the LDP as long as the LDP does not get rid of its alleged predisposition to bribery. He stressed the Sagawa scandal must be clarified soon in the extraordinary Diet session starting Friday.

"If government and opposition clash, we will find ourselves in a dilemma and discussion about a reshuffle will rise again," he said.

## Ikuo Hirayama Wins Niigata Governor's Race

*OW2510130692 Tokyo KYODO in English 1210 GMT 25 Oct 92*

[Text] Niigata, Oct. 25 KYODO—Former banker Ikuo Hirayama won the Niigata gubernatorial election Sunday to succeed Kiyoshi Kaneko, who was forced out by a money scandal.

Backed by the ruling Liberal Democratic Party (LDP), the No. 1 opposition Social Democratic Party, Komeito and the Democratic Socialist Party (DSP), Hirayama, the former chief of the Bank of Japan's Sendai Branch, trounced Akira Nagasaki, 68, former president of Niigata University backed by the Japanese Communist Party.

Hirayama, a 48-year-old native of Niigata Prefecture on the Sea of Japan coast, announced his candidacy in late September for the election to fill the post vacated by Kaneko, 60, who stepped down on September 1. Kaneko's resignation was prompted by revelations he had received suspected illegal political donations from scandal- ridden Tokyo Sagawa Kyubin Co. Before the 1989 election, which he won with LDP backing.

Kaneko and two campaign organizers have been indicted on charges of violating the political funds control law by making false reports on the 100 million yen received from the now-defunct Express Parcel Delivery Company.

In Okayama Prefecture in western Japan, Gov. Shiro Nagano, 75, was reelected to a sixth term, supported by the LDP, Komeito and the DSP.

Incumbent Toyama Gov. Yutaka Nakaoki, 65, also easily won a fourth term with the LDP's backing.

In the Niigata gubernatorial race, Hirayama had collected 559,611 votes with 97 percent of the votes counted, compared with 353,365 votes for runner-up Nagasaki.

### Hata: Scandal Not To Delay Diet Budget Talks

*OW2710071992 Tokyo KYODO in English 0658 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Finance Minister Tsutomu Hata said Tuesday the expected political squabbles over the Tokyo Sagawa Kyubin scandal won't delay deliberations on the supplementary budget in a Diet session to be convened Friday.

Hata, speaking at the Foreign Correspondents' Club of Japan, said the opposition will not "link the scandal and the supplementary budget."

He said there is a consensus in both the ruling and opposition parties the extra budget is vital for revitalizing the economy, which is unlikely to start a bona fide recovery until next year.

"I am quite confident that the two matters will be discussed separately," he said.

The scandal over alleged illegal donations of money by Tokyo Sagawa Kyubin Co., a parcel delivery company, to some politicians is expected to be the focal point of the extraordinary Diet session.

Shin Kanemaru, the kingmaker in the ruling Liberal Democratic Party, has already resigned as a Diet member after admitting he had illegally received 500 million yen from the company.

Hata also reiterated the government will not provide any financial assistance to a proposed company to buy land held by banks as collateral against bad loans.

He said in announcing in August a package of measures to help bail out Japan's ailing financial system the proposed agency would not receive government's help.

It was not a "read-my-lips type of promise," Hata said.

"I was quite stringent and severe in calling for their own efforts at that time," he said.

The Japanese banks should make "autonomous efforts to overcome the situation."

The rough blueprint for the company is expected to be announced by Mitsubishi bank, which is working on the project, by the end of October.

Asked about the growing bad loans with Japanese banks, Hata said although it will "take time" before the problems will be fully solved, it poses no serious threat to the Japanese banking system.

The Finance Ministry plans to announce the amount of bad loans held by 21 major commercial banks by the weekend.

### Upper House Member Questioned Over Falsehood

*OW2710130792 Tokyo KYODO in English 1208 GMT 27 Oct 92*

[Text] Nagoya, Oct. 27 KYODO—Police questioned a newly elected upper house member of the Democratic Socialist Party (DSP) in September for making a false campaign statement about his academic career, DSP sources said Tuesday.

DSP member Shoji Shimma was investigated in September on suspicion that during July campaigning he violated the Public Office Election Law, which bans candidates from making false reports about their backgrounds in an attempt to get elected, the DSP sources said.

Violators are faced with prison terms of up to two years or fines ranging up to 100,000 yen.

Investigators said they plan to send a police report to the public prosecutor's office, and if so, the party will consider punishing Shimma, the sources said.

According to the investigation, the 57-year-old politician who ran on the party ticket in the Aichi prefectural district made a false statement during the July campaign for the House of Councillors election. The investigation said he falsely claimed that he had enrolled at Tokyo-based Meiji University.

Based on his report, the local official election bulletin said he entered Meiji University in 1953 and dropped out in 1955.

But after the election, the university protested to the party about Shimma's claim and the politician later admitted that he never enrolled.

He turned over the equivalent of three months' salary to the DSP, which donated it to welfare organizations.

### EPA: High Yen Responsible for Trade Surplus

*OW2610102392 Tokyo KYODO in English 0818 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—The persistent increase in Japan's trade surplus is the result of the yen's higher exchange value and rising prices of value-added, high-quality products Japan exports, a government report said Monday.

The surplus growth also reflects a decline in the nation's imports amid its economic slowdown, said the report released by the Economic Planning Agency (EPA).

It said Japan's exports began to show a surge in the latter half of last year, and have continued to increase this year at a rate of 8 to 9 percent in each quarter from a year before.

In volume, however, exports do not show a corresponding move, hovering since last year at around 120 against the base figure of 100 in 1978.

The yen's appreciation increased exports' value especially in the case of yen-denominated trade deals with Southeast Asian countries, the report said.

The average unit price of Japanese automobiles exported to the United States is about twice as high as in 1985.

The report said declines in Japan's imports are especially noticeable in imports of raw industrial materials because manufacturers are curtailing output amid the economic slowdown. When the nation's economy picks up, imports will increase, it said.

## Official: Income Tax Cut Unlikely in Fiscal 1993

*OW2610115392 Tokyo KYODO in English 1023 GMT 26 Oct 92*

[Text] Tokyo, Oct. 26 KYODO—A top official of the Ministry of Finance (MOF) on Monday reiterated that the government has no plans to cut income tax in fiscal 1993.

The official, who spoke on condition he not be identified, said the government would have to issue deficit-financing bonds in order to cover income tax cuts.

The ministry remains dead set against issuing such bonds, which he said would create an undesirable fiscal burden for a future generation.

He said Finance Minister Tsutomu Hata will make clear the ministry's stance on the issue in a speech to the Diet at the outset of an extraordinary session scheduled to be convened on Friday.

The MOF official also said the bad loans with Japanese banks have grown considerably since the end of fiscal 1991.

He said it would take some time before the banks could write off such loans.

The MOF has said the amount of six-month nonperforming debts owed to 21 major commercial banks was about 8 trillion yen at the end of March.

The ministry will announce by the weekend the amount of such loans at the end of September, he said.

## DSP Supports Issuing Deficit-Covering Bonds

*OW2710072592 Tokyo KYODO in English 0711 GMT 27 Oct 92*

[Text] Aomori, Oct. 27 KYODO—The Democratic Socialist Party (DSP) believes the government should issue short-term, deficit-covering bonds, Secretary General Takashi Yonezawa said Tuesday.

Yonezawa told a press conference here the DSP will support the government if it issues the stopgap bonds in order to cut income taxes.

He is the first opposition party leader to favor issuance of deficit-covering bonds.

In August, Foreign Minister Michio Watanabe said the government should be prepared to issue the deficit-covering bonds to finance a tax revenue shortfall.

But the Finance Ministry has been hesitant to issue the bonds, saying doing so would be a burden on the next generation of Japanese, exerting negative economic impact, government sources said.

The ministry is projecting a 5 to 6 trillion yen revenue shortfall in the budget for fiscal 1993 due to decreases in corporate and income taxes resulting from the sluggish economy.

Total tax revenues for fiscal 1992, ending March 1993, came to 10 trillion yen as of September, down 3.9 percent from the same period last fiscal year.

## Mieno Says 'Various Conditions' Set for Recovery

*OW2710043992 Tokyo KYODO in English 0402 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Bank of Japan (BOJ) Governor Yasushi Mieno said Tuesday various conditions are forming to bring about an eventual recovery of the domestic economy.

Opening a three-day quarterly meeting of the central bank's branch managers, Mieno said the economy remains "in an adjustment phase" at the moment, as shown by slow final demand, continued restraint in output, and disappointing business results.

He added, however, that months of curbs on capital spending and production have helped slash excessive capacity and built-up inventories, setting the stage for the economy to finally pick up.

In addition, he said, the government's economic pump-priming package unveiled in late August, falling interest rates, and stable prices are combining to boost progress toward economic recovery.

With the economy now in such a delicate state, the BOJ chief said, the bank will monitor future developments of various factors carefully and without any prejudgments.

The regular gathering of the 33 managers of branches nationwide and the heads of three overseas offices comes at a time when expectations are resurging that the central bank may ease further its reining in of credit to galvanize the fragile economy in the wake of the latest report showing weak money supply.

The BOJ said last week that the broadly defined money supply shrank in September from a year earlier for the first yearly contraction since it started keeping the statistics in 1968.

BOJ sources said the topics to be covered at the meeting include the state of regional economies and the health of regional banks, saddled with heavy burdens of bad loans, in addition to the future course of the bank's monetary policy. Mieno will hold a news conference after the meeting on Thursday.

The nation's broad money supply shrank 0.4 percent in September from the year-earlier level, marking the first yearly contraction since the bank of Japan began to keep records in 1968, they said.

### EPA: Economy Slows, Consumer Spending Decreases

*OW2710044792 Tokyo KYODO in English 0024 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Japan's economy is continuing to slow, with consumer spending and corporate capital investment slipping, the Economic Planning Agency (EPA) said in a report Tuesday.

The monthly report described Japan's economy as still being in an adjustment phase, pointing out only housing starts and public works spending are recovering, while most economic indicators paint a gloomy picture.

Industrial output and corporate earnings have been slowing as inventory adjustments continued.

An EPA official said the report painted a similar picture to that of the previous month, noting, "there was no factor which has forced us to change our views on current Japan's economy."

"We are taking a close look at the effect of the 10.7 trillion yen economic emergency measures approved by the cabinet August 27," he said.

The housing starts index has been steadily increasing for the past five months and public works spending has been boosted, indicating the economy will recover eventually, he said.

The report said consumer spending is continuing to decline, with department store sales dropping by 3.8 percent in August from a year earlier, following 4.0 percent and 1.6 percent drops in June and July.

The number of new car registrations dropped 17.8 percent in August from a year earlier, after dropping 1.5 percent and 7.8 percent in June and July.

The number of housing starts, however, continued to rise during the past months. Although they declined 8.4 percent in the January-March period from the same period in the previous year, they rose 0.5 percent in the April-June quarter. In August they jumped 12.0 percent, after rising 1.0 percent in June and 4.9 percent in July.

Private corporate investment declined 3.4 percent in the second quarter, with investment by small and medium-sized companies declining 31.7 percent, EPA officials said.

Public works spending rose 8.4 percent in August from a year earlier, after rising 12.4 percent in June and 1.9 percent in July.

The number of bankruptcies in September was 1,199, about level with the previous two months.

### BOJ Managers See Deepening Economic Adjustment

*OW2710123892 Tokyo KYODO in English 1041 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—The Bank of Japan's branch managers expressed the view Tuesday that the country's economy is heading deeper into its adjustment phase with uncertainties starting to mount even in local business activities.

Reporting at the first session of a three-day quarterly meeting, the branch managers cited receding personal consumption even in provincial cities, which had previously been sustaining relatively healthy economies, reflecting increased uncertainties about future business activity and decreased income.

"The slowdown in personal consumption is clear compared to the reports made at the July branch managers' meeting," said Tatsuya Tamura, Osaka branch manager.

"Sales are not just lackluster for such goods as consumer electronics," he said. "So is service spending, with sluggish growth seen in customer numbers at hotels and restaurants."

Instead, he said that consumer interest is focusing on "cheap, near, and short" leisure activities.

The managers agreed on the view that a reduction of inventory for primary materials will be almost completed in the October-November period, but more time is necessary for the processing sector.

Eiichiro Kinoshita, Nagoya branch manager, said companies remain "restrictive" in their capital spending, and Kunitake Konno, Fukuoka branch manager, said the nonmanufacturing sector is relatively healthy, but the manufacturing sector will continue to suffer a sluggish business climate.

As for public works spending, the managers were of the view that pump-priming measures by both the national and local governments are helping keep public orders at high levels, and public housing projects, in particular, are underpinning business activities.

### Business Group Urges Less Corporate Regulation

*OW2710123492 Tokyo KYODO in English 1106 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—An influential business group called on the government Tuesday to ease regulations on corporate activities to put Japanese enterprises on equal footing with their foreign competitors.

The Japan Association of Corporate Executives (Keizai Doyukai), a group of elite business executives, made the proposal in an appeal made public Tuesday.

The appeal called for measures to pave the way for the establishment of holding companies through a revision of the Antimonopoly Law.

It also proposed a revision of the commercial law to ease a ban on corporations acquiring their own stocks.

The appeal contended that very few advanced nations impose a ban on the establishment of holding companies.

The Antimonopoly Law, enacted in 1947 to prevent the revival of giant business combines known as "zaibatsu," prohibits the establishment of holding companies.

Keizai Doyukai issued the appeal since Japanese corporations are required to speed up restructuring amid the expanding internationalization of business operations, coupled with the collapse of the domestic "bubble" economy.

The appeal said the revival of business combines can be prevented through the adequate implementation of the Antimonopoly Law.

### Dropping Regulations for Foreign Lawyers Proposed

*OW2710104592 Tokyo KYODO in English 1011 GMT 27 Oct 92*

[Text] Tokyo, Oct. 27 KYODO—Japan's most powerful business organization on Tuesday proposed removal of restrictions on foreign lawyers' activities in Japan, drawing criticism from the domestic legal community.

The Federation of Economic Organizations (Keidanren) made public a proposal calling for the liberalization of rules governing activities by foreign lawyers as part of measures to promote direct investment in Japan by foreign enterprises.

But the Japan Federation of Bar Associations wasted no time in lodging a protest of the proposal, charging in a statement issued in the name of its head Saburo Abe that the Keidanren proposal viewed legal activities as part of the service industry.

Keidanren said it will discuss the matter with the Justice Ministry and the Federation of Bar Associations.

Keidanren said removal of controls on the activities of foreign lawyers who are closely connected with foreign companies' business practices will help promote the liberalization of the service industry and enhance foreign investment.

Foreign lawyers are allowed to practice only under their individual names and barred from hiring Japanese lawyers.

The Keidanren proposal urged the government to remove these restrictions and allow foreign lawyers to practice in partnership with their Japanese counterparts.

## North Korea

### High-Level Meeting on 'Coping' With Team Spirit

*SK2710112792 Pyongyang KCNA in English 1038 GMT 27 OCT 92*

[Text] Pyongyang October 27 (KCNA)—A joint meeting of the government, political parties and organizations of the Democratic People's Republic of Korea was held here today to jointly cope with the decision of the U.S. imperialists and the South Korean authorities to resume the "Team Spirit" joint military manoeuvres.

Present there were Pak Song-chol, Politburo member of the C.C. [Central Committee], the Workers' Party of Korea, vice-president of the DPRK and presidium member of the C.C., the Democratic Front for the Reunification of the Fatherland (DFRF); Yon Hyong-muk, Politburo member of the C.C., the WPK [Workers Party of Korea], premier of the Administration Council and head of the North side's delegation to the North-South high-level talks; Yun Ki-pok, secretary of the C.C., the WPK, vice-chairman of the Committee for the Peaceful Reunification of the Fatherland (CPRF) and chairman of the North side headquarters of the National Alliance for the Country's Reunification (Pomminnyon); Chang Chol, vice-premier of the Administration Council; and other officials concerned.

Also participating in the meeting were representatives of the government, political parties and organizations and the members of the North side headquarters of Pomminnyon and the members of the North side's delegation to the North-South high-level talks.

Discussed at the meeting was "on jointly coping with the decision of the U.S. imperialists and the South Korean authorities to resume the 'Team Spirit' joint military exercises."

Yun Ki-pok made a report, which was followed by speeches.

The reporter and speakers said that since the United States and the South Korean authorities decided to resume the provocative "Team Spirit" and had other military confabs against the DPRK, a very grave situation has been created in our country today in which the North-South relations that had been heading for detente and reconciliation are going back to the original point of distrust and confrontation.

The South Korean authorities' decision to start the "Team Spirit" together with the United States is a wanton violation of the North-South agreement, a perfidious act and an anti-peace, anti-reunification crime which is driving the North-South dialogue to a collapse, they said, and went on:

It is also a premeditated provocative act to render the situation on the Korean peninsula extremely tense, bring the danger of another war, a nuclear war, to this land and prop up the tottering colonial military fascist rule in South Korea.

The scheme of the United States and the South Korean authorities to resume the "Team Spirit", taking issue with the socalled "nuclear problem" of the DPRK, is nothing but a shameless sophism for justifying their criminal military manoeuvres and misleading public opinion at home and abroad.

Noting that it is an urgent task facing all the Korean nation to check the resumption of the joint military exercises, they called for a vigorous struggle against it.

The South Korean authorities must unconditionally [words indistinct] the agreement with the United States on the resumption of the "Team Spirit", discontinue the anti-DPRK campaign and immediately stop the fascist suppression of the South Korean students and people calling for independence, democracy and reunification, they urged.

They called on all the pro-reunification, patriotic forces and people of various strata in South Korea to turn out in the righteous struggle for thwarting the new war provocation moves and nuclear war manoeuvres of the United States and promoting the independent and peaceful Reunification of the country.

A resolution of the joint meeting and a letter to the governments, political parties and parliaments of all the countries were adopted in the name of the joint meeting.

Today Paek Nam-jun, director of the secretariat of the CPRF, met with home and foreign reporters and briefed them on the joint meeting.

### Warns 'All' Contacts May Be Suspended

*SK2710111492 Pyongyang KCNA in English 1050 GMT 27 OCT 92*

[Text] Pyongyang October 27 (KCNA)—The government, political parties and organisations of the DPRK held a joint meeting today and adopted a resolution to jointly cope with the situation created by the decision to resume the Team Spirit war exercises.

The resolution warns that in case the United States and the South Korean authorities resume the war exercises, not only the inter-Korean high-level talks but all other dialogues and contacts with the South Korean authorities including the joint committees of different domains will be suspended.

The resolution denounces the decision of the United States and the South Korean authorities to resume the Team Spirit joint military maneuvers and shelve the "second-stage reduction plan" of the U.S. troops in South Korea as an unpardonable criminal act which will bring the situation on the Korean peninsula back to the original state of the confrontation era, wreck all North-South dialogues and block the implementation of the documents of North-South agreement already adopted.

Today when the nuclear inspection is under way the United States says that it will resume the Team Spirit which it suspended before the nuclear inspection of the DPRK by the International Atomic Energy Agency, crying over the "nuclear problem" of the DPRK, a sheer fiction. Branding this as a nonsensical, brigandish logic, the resolution says:

If the United States and the South Korean authorities go ahead with the plan of the Team Spirit joint military maneuvers despite our repeated warning, it is virtually meaningless to hold dialogue between the authorities of the North and the South.

Even if the dialogue between the authorities of the North and the South is suspended, we will continue to promote dialogues and contacts between political parties, public organizations and people.

All the Koreans and organisations in the North and the South and overseas should actively wage a nationwide movement to check and frustrate the plan of the united states and the South Korean authorities to resume the Team Spirit which is harmful to the interests of the entire nation.

The North side's headquarters of the National Alliance for the Country's Reunification (Pomminnyon) shall take necessary steps such as appealing to the preparatory committee for the formation of the South side's headquarters, overseas headquarters and regional headquarters to actively conduct in keeping with their specific conditions the movement for denouncing the decision of the United States and the South Korean authorities to resume the "Team Spirit" joint military exercises and for checking and frustrating it.

We call upon all the Koreans in the North and the South and overseas to invigorate the nationwide movement for the conversion of the Korean peninsula into a nuclear-free, peace zone and the withdrawal of U.S. weapons and nuclear weapons from South Korea.

The power bodies of all levels, political parties and public organizations in the northern half of Korea shall keep themselves full ready to counter possible military provocations by the U.S. imperialists and the South Korean bellicose elements.

The government of the Republic and all the political parties and public organizations will take positive external steps to induce the governments, parliaments, political parties, public organizations and peoples of all countries in the world that love peace to pay deep attention to the grave situation obtaining on the Korean peninsula, lift up loud voices opposing the resumption of the "Team Spirit" and render full support to our people's just cause of peace and peaceful Reunification of the country.

In this regard, a letter to the governments, political parties and parliaments of all countries in the world will be adopted first in the name of this joint meeting.

The resolution calls upon all the Koreans who love the country and the nation to turn out in the struggle to smash the new war provocation moves of the U.S. imperialists and the South Korean authorities, whether they live in the North, or in the South, or abroad.

### Paper Comments on Secretary Cheney's Remarks

*SK2710050392 Pyongyang KCNA in English 0434 GMT 27 Oct 92*

["Nonsensical Sophisim of Aggressor"—KCNA headline]

[Text] Pyongyang October 27 (KCNA)—Recently U.S. Secretary of Defence Cheney, drivelled that if the U.S. Forces withdrew from the Asia-Pacific region, who would want to fill up the vacuum resulting from that, in an effort to justify the presence of the U.S. troops in this region. Commenting on this, NODONG SINMUN today says that what is noteworthy in this is that the United States is intending to prolong its troops' occupation of South Korea by applying the "vacuum" doctrine to the Korean peninsula.

The news analyst goes on:

The "vacuum" doctrine is a shameless sophism of an aggressor to justify the presence of the U.S. Forces in South Korea.

There is no justification for the U.S. Forces to remain in South Korea today when the North and the South of Korea promised reconciliation and nonaggression and are taking practical steps for their implementation. Under this situation the United States is crying over "vacuum" to keep its forces in South Korea. This is chiefly aimed at keeping hold on South Korea for an indefinite period as a colony and military base and realising the aggressive Asia-Pacific strategy with it as the stronghold.

The United States must renounce such ridiculous pretext of "vacuum" and withdraw its forces from South Korea as demanded by the world people.

## South Korea

### Foreign Minister on PRC Role in Nuclear Issue

*SK2710061392 Seoul YONHAP in English 0547 GMT 27 Oct 92*

[Text] Seoul, Oct. 27 (YONHAP)—Foreign Minister Yi Sang-ok said Tuesday he believed China could play an important role in the resolution of North Korea's nuclear issue.

Although China has publicly taken a position that the nuclear question should be solved through dialogue between South and North Korea, Beijing could perform a decisive part as it did for the simultaneous entry into the United Nations by the two Koreas last year, Yi told a breakfast meeting at the press center sponsored by the Korea Regional Research Institute.

Commenting on the controversy over whether China has or has not apologized for its involvement in the Korean war, Yi said that China did say it was "an unfortunate" affair of the past between the two countries that should not be allowed to recur.

South Korea and China should settle the question of the past at that and should continue their efforts to review the problem in a different perspective, Yi added.

Yi said Taiwan was still showing "an emotional reaction" in the wake of the severance of diplomatic ties, but Seoul was trying to reestablish ties with patience and perseverance. Negotiations are expected to take time since both countries are holding important elections in December.

With regard to President No Tae-u's visit to Japan next month, Yi said the government had planned to make a formal announcement after consulting with Japanese Foreign Minister Michio Watanabe in Tokyo Oct. 29, when Yi is to travel to the Japanese capital to attend an international conference on Russia.

There seems to have been some misunderstanding among the general public since it was prematurely reported in the press, Yi said.

### ROK Firms 'Rush' to China's Construction Market

*SK2710014092 Seoul CHOSON ILBO in Korean 26 Oct 92 p 11*

[Report by Na Chong-ho from Kwangju]

[Text] Eight old construction companies and medium and small-sized enterprises in Kwangju and North Cholla Province, including Line Construction Company, headed by Representative Kong Pyong-kon, are going to rush to the Chinese construction and housing market by organizing a consortium.

Companies participating in the consortium, including Line Construction, Songhyon Industial Co., Sinhan

Industrial Co., Sinhan Concrete, Taehan Lumber Industry, and Samjin Ceramic (in Chonju), revealed on 24 October that representatives of the eight companies visited China on 12 October and finally agreed with the Yanbian local self-government to construct a building equipment and material supply base.

The companies, including Line Construction, will invest $10 million in the construction of building equipment and material supply base in an area of 100,000 pyong near Yanji that the Yanbian self-government has secured. They will start the construction in March 1993 and complete it around the end of 1993.

They will produce about 10 building material items needed in various building and engineering works, including red bricks, cement trucks, ascon windows, and humes, which will be supplied to three provinces in the northeast area of China.

According to the terms of the contract, the Chinese side is to provide land and production base. Profits are to be shared on a 50-50 basis. An annual profit of 12 billion won is expected.

With this construction momentum, full-scale motions to rush to the Chinese construction market by the companies participating in the consortium are expected. There are also prospects that this base will be used for exchanges with North Korea to prepare for reunification.

In the meantime, Line Construction said it established the China Line, a joint venture in Yanbian, and made a provisional contract with Yanbian local self-government to build 1,500 apartments with a floor space of 30 pyong each. Line Construction is the first ROK housing company that promoted separately to construct apartments in China.

## 'Overcompetition' Among Firms in China Noted

*SK2710093292 Seoul THE KOREA HERALD in English 27 Oct 92 p 8*

[Excerpts] Korean businesses' direct investments in China have been concentrated on just a few industries and regions, resulting in overcompetition among compatriot firms.

Their preference for making individual advances abroad instead of joint-venture investments have also sharply raised overhead costs, including land leasing expenses, which further erodes the overall competitive edge of Korean firms operating in China, said a top trade official yesterday.

At a monthly meeting to help solve trade-related problems for Korean exporters, Kim Chol-su, president of the Korea Trade Promotion Corp. (KOTRA), cited as major problems in investing in China, the Korean firms' lack of understanding about China's wage structures and labor practices, Beijing's frequent policy changes, Chinese officials' deliberate interpretation of certain laws and regulations, shortage of raw materials, and poor social infrastructure.

To support private firms' business activities in China, Kim suggested that the Seoul government hasten to conclude shipping and aviation accords and a double-taxation avoidance agreement, while simplifying the entry-exit procedures for both Korean and Chinese businessmen.

Specifically, the KOTRA head said, the government needs to cut the red tape for Chinese businessmen visiting Korea and issue multiple visas for frequent visitors. Korean businessmen's visits to China, of 90 days or shorter, should also be allowed without prior government approval, he said.

Noting that most transactions with China are made under terms and conditions unilaterally in favor of China, Kim called for swift negotiations on the governmental level to remove these inequalities in bilateral trade.

To stave off problems caused by failures in the supply of local materials or delayed shipments, the Korean firms should undertake more joint advances with domestic contractors, he said. [passage omitted]

A Korea Foreign Trade Association official reported in the meeting that the nation's exports for 1992 are estimated to total $78.5 billion, and imports, $83.5 billion, resulting in a deficit of $5 billion, or an improvement of $4.7 billion from the trade gap of $9.7 billion last year.

## Editorial Warns on 'Facade' of DPRK 'Maneuvers'

*SK2510055292 Seoul THE KOREA HERALD in English 25 Oct 92 p 6*

[Editorial: "Biochemical Arsenal in N.K."]

[Text] North Korea has for some time been known to possess a menacing assortment of biochemical weapons. The gruesome picture was once again confirmed Friday by the Agency for National Security Planning in its report to the National Assembly.

The report, made to lawmakers of the Assembly's Defense Committee, pointed out that North Korea has produced a formidable amount of biochemical weapons, sufficient to wipe out the entire population of South Korea, ready to be used when necessary. Having successfully cultured 13 kinds of germs, the report said, North Korea is now capable of launching the biochemical weapons by Scud missiles, aircraft, helicopters, howitzers, trench mortars and even hand grenades.

The revelation is spine-chilling and adds to the gravity of the Korean situation. Furthermore, it came at a time when a landmark treaty banning all biochemical weapons from the surface of the earth was concluded only in September after some 20 years of nerve-racking negotiations among world nations. The treaty has been submitted to the United Nations for endorsement. The sooner all nations ink and ratify it, the sooner stocks of these dreaded devices will be demolished, adding fresh momentum to the widespread mood of detente and disarmament around the world.

To make matters worse, we are visited upon by another piece of gruesome news that Communist North Korea sent five women snipers to assassinate South Korean President No Tae-u during his visit to China last month. Although the plot was foiled by tight security steps taken by the Chinese authorities, it was enough to remind us of the horrible bomb attack North Korean operatives mounted in Rangoon in 1984, which killed 17 senior South Korean officials accompanying then-President Chon Tu-hwan on a trip there.

Thus, North Korea continues to alert us to its belligerent adventurism through an unending series of reports of military buildup and terrorism. North Korea's behavior within and without the peninsula surely leads us to remain skeptical about the real intentions behind Pyongyang's professed desire for dialogue and reconciliation. Its adventurous unpredictability is certainly beyond the imagination for people of common sense.

Therefore, preparedness to maintain our national security is a total concept even if we live in a post-Cold War era of reconciliation and reduced armament. A strong military defense must be backed by a strong economy, firm national morale and social stability. All citizens should be united and prepared to see to it that we are never again caught unaware because an evil and deceptive design always lurks behind the pacific facade of North Korean maneuvers.

### Government 'Unified Policies' Toward North Urged

*SK2610152592 Seoul TONG-A ILBO in Korean 25 Oct 92 p 3*

[Editorial: "The Government Must Formulate Unified Policies Toward the North"]

[Text] With regard to a certain policy, there can be hard-liners or soft-liners and there can be pros or cons. The same is true with policies toward the North because they must be judged based on extensive knowledge and information, public opinion, external relations, and various other matters. Differences in views should, however, exist only in the course of formulating policies. Therefore, the government must have unified policies toward the North.

It is a well-known fact that the National Unification Board and the Agency for National Security Planning [NSP] have differences in views on policies toward the North. Generally speaking, the National Unification Board is moderate, and the NSP is hard-line. For example, the National Unification Board favors the repatriation of old man Yi In-mo, which North Korea demands, to bring about the reunion of separated family members. The NSP, however, thinks that if old man Yi In-mo is repatriated, it will bring complicated and serious consequences. This means they have opposite views.

We will not state for now which side is correct because so much has been said about this issue. However, the differences in views between the two different government agencies have been exposed to the public, giving the impression that they are feuding. This is not good. Government agencies and pertinent officials can have different views on policy toward the North. Such differences, however, are necessary only for a constructive conclusion. The government, which is responsible for formulating policies toward the North, must know that if it lacks a consistent and objective principle, this may do people harm.

The government has stated that North Korea is not our enemy but our partner. It also hastily negotiated with the North to adopt the North-South agreement. The government must know this has slackened the people's vigilance against the North. The government's application of laws is also a problem. Has anyone who visited the North with the government's permission made illegal remarks or committed illegal acts? If the government makes an issue out of only some of such cases, this is against the principle of equity in applying laws.

Since it made public the South Korean Workers Party of Korea incident, the government has carried out inconsistent policies toward the North. The government, on one hand, has asked North Korea to admit this incident, apologize for it, and promise to prevent the recurrence of such an incident and, on the other hand, normally operated the existing channels of dialogue. Of course, we know the dilemma the government is in. The government is in a dilemma because no one wants a serious situation that may take place if the North-South agreement is nullified and if North-South talks break up.

The government once said that it would "withhold any visit to the North for other than economic purposes." It said at another time that "this is not the government's official position." This means that the problem lies in the government itself.

How in the world has the government failed to map out unified policies toward the North? Moreover, some media reports say that a delegate to North-South talks in Pyongyang ignored the government's instruction. This is unthinkable no matter what the instruction may have been.

The government must change its attitude of mapping out policies toward the North or handling the reunification problem alone. It must, at least, frankly consult with the National Assembly and resolve difficult tasks based on the consensus among the people. In this process, the government must establish a consistent and objective principle in mapping out policies toward the North and implement policies toward the North based on this principle. Also, political circles must immediately stop using dangerous strategies to make use of the issue concerning the North for political purposes.

## Seoul To 'Temporarily Reserve' Visits to North

*SK2410074992 Seoul YONHAP in English 0729 GMT 24 Oct 92*

[Text] Seoul, Oct. 24 (YONHAP)—It is inevitable for the South Korean Government to temporarily reserve visits of ordinary people to North Korea in consideration of national sentiments over some recent issues including a North Korea-inspired spy scandal, a high-ranking government official said Saturday.

Yi Tong-pok, South Korean spokesman for the inter-Korean high- level talks, said that the visits would be limited to those who are concerned with economic cooperation with North Korea.

Yi, addressing a unification-related seminar in Seoul, said, however, that the government would review the matter again in accordance with a progress of the inter-Korean joint commissions and North Korea's attitude toward nuclear development issue.

"Visits for pure trade with North Korea or visits of South Korean businessmen before economic cooperation between the two countries is to be put on the track should be permitted again," Yi stressed.

In particular, Yi argued that the government work out objective criteria for permitting visits to North Korea, indicating that there have emerged an equality problem in legal applications in the process of making an inevitably selective permission for or holding off visits of businessmen.

Touching on recent situations in North Korea, Yi said that the communist country might be faced with a severe confrontation surrounding changes.

"The confrontation seems, as far as I am convinced, not to be horizontal between hard-liners against moderates or conservatives against reformists but vertical between the upper-structure against substructure of power," Yi added.

## PM Threatens To Stop Economic Visits to North

*SK2710091592 Seoul KBS-1 Radio Network in Korean 0800 GMT 27 Oct 92*

[Text] Prime Minister Hyon Sung-chong said that our side will stop visiting North Korea for economic cooperation unless North Korea admits the fact regarding the Workers Party of Korea spy ring in South Korea and apologizes for it.

Prime Minister Hyon Sung-chong said the above in his answers to a parliamentary interpellation for the field of reunification, foreign affairs, and security at a plenary session of the National Assembly this afternoon. He said that he had directed officials concerned to suspend visits to North Korea for economic cooperation unless North Korea officially apologizes for the spy ring incident, and that he will consider carefully individual visits to North Korea on other purposes than economic cooperation.

Prime Minister Hyon Sung-chong said that giving a loan of $3 billion to the former Soviet Union was not a wrong investment in light of the abundant resources and broad markets of Russia and the CIS, and that the loan also has a significant security dimension because it can help in realizing reunification by inciting North Korea to open up.

He also said that because the situation of our security has been strained to the breaking point just like the 155-mile truce line is all charged with electricity, it is too early to appoint a civilian as defense minister.

## Delegate Said Ignored Instructions at N-S Talks

*SK2410151592 Seoul HANGYORE SINMUN in Korean 24 Oct 92 p 1*

[Text] Government officials confirmed on 23 October that it is true that a high-ranking official of the Agency for National Security Planning [NSP] ignored instructions from the government on the exchange of home visiting groups of separated families at the eighth round of South-North high-level talks in Pyongyang in September. This remark was made by a Democratic Party lawmaker at the National Assembly's inspection (23 October edition of HANGYORE SINMUN pp 1, 3).

According to a high-ranking government official, during the process of the eighth round of high-level talks, President No Tae-u ordered the delegation to exert their utmost efforts so that the exchange of home visiting groups can be achieved between South and North Korea. In this connection, on 17 September the Chongwadae [presidential offices] side hastily sent a president's instruction to withdraw the demand of the repatriation of the crewmen of the fishing ship, Tongjin. At that time, this was one of the greatest stumbling blocks in reaching an agreement on the exchange of home visiting groups.

Nevertheless, Yi Tong-pok, delegate and spokesman to the high-level talks and first special aide to the NSP director, who received this instruction, did not report this to Prime Minister Chong Won-sik, the senior delegate. It was revealed that he ignored this instruction and continued to insist on the repatriation of the crewmen of the fishing ship, Tongjin.

In this regard, when questioned by a lawmaker to confirm this matter in the 22 October inspection of the National Unification Board by the foreign affairs and unification committee, Yim Tong-won, delegate for the high-level talks and vice minister of the National Unification board, said: "I did not know that an instruction was given during the Pyongyang talks." It was confirmed that the instruction was not delivered to all the delegates.

What is noteworthy is a remark by a high-ranking government official who said that if the instruction from the Chongwadae side was implemented, there was a high possibility that the mutual exchange of home visiting groups of separated families between South and North Korea could have been realized.

At that time, the North side demanded the repatriation of Yi In-mo who is in South Korea, and expressed its position that if its demand was realized, it would be willing to agree to the exchange of home visiting groups and establish a meeting place for separated families at Panmunjom.

The instruction was not reflected at that time by the South side in its negotiations with the North. Under the condition that Yi In- mo would be repatriated, the South side demanded that 12 crewmen of the fishing boat, Tongjin, who were kidnapped while fishing in the northern region in 1987, be returned; a meeting place for separated families at Panmunjom be established; and carry out the exchange of separated families on a regular basis. No progress, thus, was achieved in the talks.

Giving importance to the fact that Yi Tong-pok did not follow the instruction, a meeting of high-ranking officials was held right after the high-level talks and they were briefed on the situation. They discussed punishing him but it was learned that no decision was made.

A government official said: "The issue of his punishment was left unresolved because of the complicated domestic political situation such as President No withdrawing from the Democratic Liberal Party, the issue of establishing a neutral cabinet, and especially because of the South Korean Workers Party incident."

Yi Tong-pok is regarded as one of the most hard-line within the government on North Korea. It was learned that he was carrying out a leading role in the high-level talks.

Regarding the nondeliverance of the instruction to the delegation, Yi Tong-pok said in the 22 October National Assembly's inspection of the National Unification Board: "In the process of negotiations on the separated families, there was a time difference between negotiations and other delegates' activities. It was, therefore, not possible to deliver all the matters to the delegates."

Regarding this attitude by Yi Tong-pok, a government official said: "There is suspicion that there was a political intent to achieve a breakthrough in South-North relations through his initiation in the next government rather than during the Sixth Republic, which is in its last term of office."

### Delegate To Be Replaced

*SK2710153492 Seoul KBS-1 Radio Network in Korean 1100 GMT 27 Oct 92*

[Text] It has been learned that the government will soon replace Yi Tong-pok, our side's spokesman for the South-North high-level talks, since it was pointed out that Yi Tong-pok had ignored the instructions from the government to the delegation to the South- North high-level talks during the last round of talks and that assigning him to the two posts at the same time—special aide to the prime minister and special aide to director of the Agency for National Security Planning—causes problems.

In an answer to Democratic Party lawmaker Son Se-il's supplementary question implying the demand for replacement of spokesman Yi Tong-pok, at a plenary session of the National Assembly this afternoon, Prime Minister Hyon Sung-chong said that he is planning to take a certain action with this incident as momentum and that he will report it after taking the action.

Prior to Prime Minister Hyon's answer, Choe Yong-chol, minister of the National Unification Board, said that because delivering and receiving the government's instructions during the South-North high-level talks is a matter of strategy to be treated as high-level confidential affairs, he could not make it public. Then he added that he would like to make it clear that the rumor about ignoring the instructions is not true.

### National Assembly Completes Government Inspection

*SK2510030692 Seoul THE KOREA HERALD in English 25 Oct 92 p 2*

[By staff reporter Kim Chong-chan]

[Text] The legislative National Assembly wound up its brief 10- day inspection of government offices and state-run corporations yesterday, yielding little harvest.

Every party, mindful of the coming presidential election, tried to take advantage of the audit to inflict a damaging blow against the other, instead of scrutinizing state affairs.

At the same time, this year's audit was tainted by ugly scuffles which occurred between National Assemblymen and members of the Seoul City Council over whether the city administration should undergo an inspection by the national legislature.

But some aspects may have brightened prospects for the parliamentary politics as well as the annual legislative inspection of the government, which was revived during the term of the previous legislature after an absence of 17 years.

Unlike in the past, lawmakers of the former government group, Democratic Liberal Party [DLP], were somewhat critical of the administration, which may have erased their image as what critics called a "rubber stamp."

The move came after President No Tae-u severed ties with the DLP and launched a politically neutral cabinet to impartially oversee the presidential race.

To be sure, many DLP lawmakers appeared to have tried to show that they are still an "ally" of the government.

Minority party lawmakers, on the other hand, did not go to extremes. Kim Tae-chung, presidential candidate of the main opposition Democratic Party [DP], has been trying to project himself as a moderate.

There is neither the ruling party nor opposition parties, Kim recently said.

Activities of legislators who belong to tycoon-turned-political novice Chong Chu-yong's United People's Party [UPP] may have been too few to draw public attention. More than half of the party's 30 lawmakers were first elected to the National Assembly in the last elections in March. The UPP was created months before the election.

Auditing the Defense Ministry, lawmakers of the former government party sought to inflict damage on Kim Tae-chung, a longtime opposition leader, by asking repeatedly if opposition politicians were implicated in the latest spy scandal in which more than 60 South Koreans were arrested.

UPP legislators also joined in the fray.

Kim apologized for the arrest of his secretary who has been accused of providing military secrets to a suspected North Korea agent.

Kim, who suffered jailings and house arrest under past authoritarian governments, believes that the military would no longer see him as ideologically dangerous and would not veto his election as president.

The DP lawmakers immediately retaliated for the attack on their boss by taking issue again with the controversial memorandum signed between Kim Chong-pil, now executive chairman of the DLP, and a top Japanese official at the normalization talks in the early 1960s.

In an inspection of the Foreign Ministry, the opposition legislators demanded that Kim be summoned for testimony before the legislature.

The opposition accused Kim Chong-pil of having ignored the forced prostitution of Korean women for Japanese soldiers during World War II and other important matters in the normalizations talks.

Opposition lawmakers tried to take advantage of the government's alleged electoral fraud in Yongi County, South Chungchong Province, in the March National Assembly elections, to receive assurances that the government will not take sides with any political parties in the presidential election campaign.

Some legislators of the former government party, however, attempted to distract attention away from the suspected election rigging. They were accused of filibustering as they took issue with minor things such as compensation for cultivators of red pepper whose crops dwindled sharply.

In an unusual move, some DLP legislators asked the government to cancel the two politically controversial projects—a Seoul-Pusan high-speed railway and an international airport on Yongjong Island off Inchon.

They voiced concern about the possibility that the massive projects may worsen the troubled national economy and spark suspicion that the government may seek to collect campaign funds from the selected companies.

Minority parties called on the government to scrap the disputed projects, insisting that the sums be transferred to easing traffic problems in big cities.

The parliamentary inspection of state affairs also focused on the land swindle case allegedly involving the Army Intelligence Command, privileges the government reportedly granted to chaebol or conglomerates, the controversy over the second mobile phone project, political neutrality of police, the military, the counterintelligence Agency for National Security Planning and other public servants, and the furor over whether China should apologize for its participation in the Korean War (1950-53).

Ugly scuffles occurred at the outset of the parliamentary inspection between opposition lawmakers and members of the Seoul City Council who belong to the former government party.

Opposition lawmakers insisted that the city council undergo an audit by the national legislature in compliance with the National Assembly (Steering) Law.

Members of the city assembly who belong to the majority party, however, blocked the opposition legislators from entering the venue for the legislative inspection, pointing out that the major parties have already agreed to let local assemblies audit local government offices.

A bill which would bar the national legislature from auditing local government agencies is now awaiting parliamentary approval.

The city council members later withdrew their barricade as they were given assurances that the parties would pass the bill through the national legislature during its current session.

## Parties Launch Presidential Election Campaigns

*SK2610093192 Seoul YONHAP in English 0622 GMT 26 Oct 92*

[Text] Seoul, Oct. 26 (YONHAP)—Three major political parties, led by their presidential candidates, launched active campaigns Monday for the December election while a hastily patched up party was still in search of its standard bearer.

Kim U-chung, chairman of the Daewoo Group, announced Sunday night that he was not interested in becoming the presidential candidate of the newly formed New Korea Party, sending leading organizers of the new conservative party looking for yet another "national figure" fit—and willing—to be its leader.

Kim U-chung had been widely rumored to run for president but for unexplained reasons, Kim and his aides took pains Sunday night to put a damper on the speculation.

One of his aides, So Chae-kyong, an executive director in charge of planning and coordination in the Daewoo Group, told reporters that Kim will not run for president. Asked if he was officially speaking for the head of one of the nation's largest conglomerates, So replied: "Yes."

Nevertheless, local press was still reporting Monday morning that Kim had not made up his mind whether to run for president and that he was expected to announce his final decision around Wednesday.

In any event, Kim would not join the New Korea Party, the reports said.

The New Korea Party, whose organizers were said to be divided over the question of "inviting" Kim to become their presidential candidate, is expected to call a meeting Tuesday to discuss the problem, after sounding for the last time about the availability of former Democratic Liberal Party [DLP] chairman Pak Tae-chun and former prime minister Kang Yong-hun.

Both Pak and Kang had declined to join the New Korea Party. Political observers say, however, if the party leaders failed to persuade Kang to change his mind, it would be difficult for the party to participate in the election which is less than two months away.

Presidential candidates of the three major parties, meanwhile, began their stumping tours Monday.

Kim Yong-sam of the majority Democratic Liberal Party pledged to cure what he calls "the Korean diseases" and build "a new Korea," through a strong leadership and a strong government.

Kim Tae-chung, leader of the Democratic Party, attacked the "failure" of the DLP and the administration of President No Tae-u and urged the voters to elect "a genuine civilian and democratic government."

Chong Chu-yong, leader of the Unification National Party [officially renamed United People's Party], trumpeted "the revitalization" of the nation's sagging economy as his campaign pledge.

Kim Yong-sam began his campaign in Suwon, south of Seoul, at a rally attended by some 10,000 party members in Kyonggi Province. Kim also pledged that if he were elected, he would clean up industrial plants polluting Han, Imjin and Hantan rivers, expand roads and highways linking Seoul, Inchon and Suwon, and work for cleaner water supplies to the metropolitan areas.

Kim Tae-chung started a tour of satellite cities in northern Kyonggi Province, north of Seoul, such as Munsan, Ilsan and Tongduchon. He utilized the party's newly fitted campaign bus to boost his mobility.

In his campaign pledges, Kim Tae-chung said his administration would help solve worsening traffic congestion in Seoul and its vicinity by expanding subway networks by 70 to 80 percent by the year 2000. His government would also build the loop highway around Seoul, increase the number of universities and disperse universities and company offices away from Seoul to provinces, he said.

The Unification National Party held an election campaign planning and coordinating meeting Monday and decided to start its campaign in Kwangju and other cities in South Cholla Province from Nov. 3 through 17. Chong Chu-yong, meanwhile, visited Kyongju, to attend a meeting of the Chong clan and appeal for local support for his candidacy.

## PM Reaffirms 'Strict Neutrality' for Election

*SK2710010292 Seoul YONHAP in English 2359 GMT 26 Oct 92*

[Text] Seoul, Oct. 27 (YONHAP)—Prime Minister Hyon Sung-chong says the government will establish strict neutrality of all civil servants and prevent all possible official interference in the presidential election in December.

Speaking at the National Assembly's government interpellation in politics on Monday, Hyon said he would prohibit governmental agencies from holding election-related meetings in order to forestall misunderstanding.

The government will also hold educational sessions for its officials to teach them how to manage a fair election by citing specific examples while checking their work and activities constantly, Hyon told lawmakers.

In addition, the government will work closely with the Central Election Management Committee and other civic and social groups to create an environment in which all voters could cooperate in a national effort to hold a clean election, he said.

Hyon said he had met President No Tae-u several times and was convinced about No's determination to carry out a fair election. Otherwise, there would not be any reason for him to become a prime minister, he said.

As for the exact date of the election, Hyon said the law specifies that the country should hold it between Dec. 15 and Jan. 14, 1993. The government will decide on the most appropriate date after studying political, economic and social conditions.

### * EPB Minister Choe Kak-kyu Interviewed

*922C0252A Seoul CHOSON ILBO in Korean 7 Sep 92 p 4*

[Interview with Choe Kak-kyu, minister of Economic Planning Board [EPB], by reporters Pyon Yong-sik and Sung In-pae, on the state of the national economy—place and date not given]

[Text] **Editor's note: Currently, the economy is in bad shape. Economic bureaucrats and government economists claim that the economy is regaining stability with the bubbles removed, but the business community rejects this claim saying that they do not understand the realities. Businessmen claim that the desire to invest is diminishing and the economy is cooling partly because of the political instability which has set in as the term of the present administration approaches its end and partly because of an easy-going attitude on the part of government employees. Pyon Yong-ski, deputy chief of our Economic Department, and Sung In-pae, an economic reporter, have interviewed Choe Kak-kyu, deputy prime minister and concurrently EPB minister, who will have to turn over the steering wheel of the economy to the head of the next administration's economic team.**

[CHOSON ILBO] They say market activity in the Full Moon Festival season is very dull. One distributor said that this is "the worst recession in 10 years." The rate of GNP growth fell to a 6 percent level in the second quarter, and plant and equipment investments are slack, indicating that the outcries of businessmen are not necessarily an exaggeration of their pains. Do you take the recent slow-down in growth as an expected outcome of the government's policy for stability, or as an unexpected bad result?

[Choe] In my opinion, the government's policy of economic stability is producing its results. Consumer prices stabilized at the level of 4.5 percent as of the end of August, and the balance of payments improved by $3.7 billion as of the end of July. In the first half of this year, the rate of growth was 6.7 percent, a figure slightly lower than expected. But in substance, the economy is moving in the desirable direction by shifting from demand-led growth to manufacture-centered growth. True, the rate of increase in investment dropped to 4 percent in the second quarter, causing fears that it may shrink the growth potential in the long run. As the rate of growth decreases and domestic demand subsides, businesses and homes feel pinches. But this is an unavoidable side effect of a structural readjustment.

#### Widespread Inflation Mentality

[CHOSON ILBO] What is the outlook for the economy up to the end of the year?

[Choe] The Bank of Korea forecasts a 6.7 percent growth rate, whereas the Korea Development Institute [KDI] is somewhat more optimistic, forecasting a 7.1 percent increase. Consumer prices are expected to be relatively stable at a 6-7 percent increase. As of the end of July, the balance of payments deficit stood at $5 billion, or 1.7 percent of the GNP, which is not too worrisome a level. It is expected that the international payments account will be balanced several years from now.

[CHOSON ILBO] Interest rates dropped a little but still remain high, troubling enterprises. When the fiscal retrenchment takes effect and the economy cools to some extent, we presume that interest rates should go down.

[Choe] Currently, the rate of earnings on corporate bonds tends to stabilize between 15 and 16 percent. This is still very high. There is a call for an increase in the volume of currency in circulation to force interest rates down. If more currency is issued, the nominal interest rates may come down, but it will stimulate prices and push interest rates up again. To lower interest rates, we have to stabilize prices first. To bring interest rates down to the level prevalent in advanced countries, we first need to stabilize prices at the same level prevailing in advanced countries.

[CHOSON ILBO] In our opinion, it is important for the present administration to wind up the ongoing projects rather than launch new projects at a time when the term of office of the president is nearing its end. In your opinion, what are the pending tasks that the present administration should exert more efforts to wind up?

[Choe] Inflation mentality is so prevalent that our economy may be called one structurally addicted to inflation. It may be accurate to say that the real estate investment psychology is latent, not having completely disappeared. To curb inflation and nurture the growth potential is what the present administration should do for the next administration.

With regard to the Seoul-Pusan high-speed electric train project, the government began to study several alternatives five years ago in order to ease the traffic congestion in the Seoul-Pusan axis, and it has come to the conclusion that a high-speed electric train is the best choice both technologically and economically. To withhold or abandon this kind of project simply because the present administration is near the end of its term is tantamount to abandoning its responsibility as the administrator of state affairs. The same is true with the Yongjong-to airport project.

#### Banking Practices Need Rectification

[CHOSON ILBO] It is pointed out in some quarters that the current banking practice of securing mortgages as an absolute requirement for lending with no consideration for the soundness of business operation needs to be rectified before putting into effect the EPB's idea of limiting cross payment guarantee among chaebol-affiliated corporations to 200 percent. Corporations complain that the government knows too little about the actual condition of the banking practices.

[Choe] Precisely, the conventional lending practice of giving priority to security has stood in the way of developing a proper loan screening function. In the past, support for big corporations was essential in the course of high growth. Our intention is not to give corporations an immediate shock, but to try to rectify the practice of cross payment guarantees by giving the corporations concerned a three-year time limit. I think the 200 percent limit is not unreasonable, considering the given conditions. How can we expect to correct the wrong banking practices if we leave cross payment guarantees unchecked simply because the elimination of the practice will cause difficulties to individual corporations?

[CHOSON ILBO] Do you not think the approach was wrong? When the EPB took steps to introduce legislative measures, it should have the Finance Ministry undertake to correct the banking practices simultaneously. Do you not agree?

[Choe] We are doing it now. In May last year we introduced the lead corporation system by which the main corporations [of chaebol groups] were excluded from the objects of credit control but barred from increasing their payment guarantee limit. This was followed by a measure taken this past June to have 30 large corporations which fall under the objects of credit control freeze their guarantee limits as of the end of June. Some contend that the banking business should be controlled by a credit control system rather than by the Fair Trade Act. But to expect banking organizations to reform the banking system on their own is like asking a cat to keep a fresh fish.

[CHOSON ILBO] It seems that a reduction of defense expenditures seems to be a subject of controversy in the compilation of the budget for the next fiscal year. Have you reached an agreement with the military on this matter?

[Choe] It is a fact that there has been a drastic change in the role of national defense as a result of the change in the condition, namely, the relaxation of tension between North and South and the termination of the cold war between East and West. Nevertheless a reduction of defense expenditures resulting from this change in the condition is an issue requiring a long-range consideration. Therefore it is not right to demand that the next year's budget immediately reflect this change. The defense authorities have no objection to the idea that defense expenditures should be reduced in accordance with the change in the condition in our surrounding areas. We feel it necessary to reduce our defense expenditures because in view of the tight fiscal situation in compiling the next year's budget.

[CHOSON ILBO] It is important for our enterprises to move into foreign countries in this age of globalization which transcends the national boundaries. It is also important to have foreign enterprises move into Korea. But foreign enterprises seeking to operate in Korea are decreasing in number. In this respect, our country is at the bottom. High interest rates and high wages are the problems, but some point out that the needless administrative controls by the government are becoming a stumbling block.

[Choe] I am of the same opinion. One of the major problems concerning our economy is the slackness in foreign investments in our country. Particularly, the extremely low level of investment by foreigners in the manufacturing sector poses a long-term problem. This is attributable, above all, to the loss of our competitive edge in inducing foreign investments due to high prices. But the more fundamental reason is that our industrial structure is rather adversarial than complementary to that of Japan. Speaking of administrative controls, when the government gave Samsung Heavy Industries permission to produce commercial vehicles overseas, critics asked why the government did not block the move.

But, realistically, there was no reason to block it. To demand that the move be blocked was to demand that the government impose restrictions. Suppose Nissan of Japan wants to invest in Korea, how should we respond? If internationalization and openness are the irreversible trend, we have to change our attitude first so that we may cope with this tide. To bring our economy to the advanced level, it is necessary first of all to free ourselves from the old way of thinking.

[CHOSON ILBO] With the agreement to sign the North American Free Trade Agreement [NAFTA], the world economy is showing a full-fledged trend toward splitting into regional blocs. How is the government going to cope with this trend?

[Choe] It is the basic stand of our government that one regional bloc should not be discriminating against another. To cope with the trend toward grouping into blocs, it is necessary to strive to establish a system of multilateral negotiation. To this end, the Uruguay round [UR] must be successfully concluded so that a system of multilateral negotiation may take root in the international order. I think the public should change their opinion of the UR round of multilateral negotiations. At the same time, we must hasten the internationalization of our industrial structure so that the sectors which cannot operate at home may move their operations into any foreign land having favorable conditions, be it North America or anywhere else.

[CHOSON ILBO] some are suggesting that our country conclude a free trade agreement with the United States.

[Choe] Experts in the EPB and research institutes are studying a long-term strategy in real earnest.

[CHOSON ILBO] GATT Director General Dunkel recently visited Korea. Was there any change in our position in the UR round of negotiations on farm products?

[Choe] Because we heavily rely on foreign trade, we can survive only by selling goods overseas. Accordingly, the

UR round should be concluded successfully. Nevertheless we need time to liberalize our rice market. Korea and Japan are the only countries where rice is the staple food. Therefore, inasmuch as rice is not a major item of trade in the world, we do not think it will become a major problem.

**Political Stability a Must**

[CHOSON ILBO] You are scheduled to visit North Korea soon. Is there any room for a change in the inter-Korean economic relationship following the establishment of diplomatic relations between the ROK and China?

[Choe] Our relationship with North Korea is steadily improving. Under this circumstance, one area in which North and South Korea can get closer to each other is the economic field. North Korean Vice Premier Kim Tal-hyon's visit to our country and my forthcoming visit to North Korea are all intended to create a climate and atmosphere for improving North-South relations.

[CHOSON ILBO] Since the [DLP] candidate for the next presidential election was chosen, there has been a phenomenon of power shift. Recently, DLP President Kim Yong-sam's staff members are reviving the argument over the issue of introducing the use of real names in financial transactions. Have you ever discussed this issue with them?

[Choe] The power shift in the wake of the installation of a new president of the party in power should be regarded as a natural phenomenon. Previously, the present administration decided not to introduce the real-name system not because it was against that system per se, but because in its judgement, the condition was not ripe. I think it is more important now to strive to create a favorable condition.

[CHOSON ILBO] Nowadays many are of the opinion that politics is ruining the economy. As the general commander of economic policy, how do you feel about the real impact politics has on economic policy and economic activities?

[Choe] Political stability is an essential requirement for economic prosperity. It is precisely because of political instability that the Philippines, which was once ahead of our country, is lagging behind; and Thailand, which once attained a high growth rate, is stalling. Needless to say, the political community has the genuine function of collecting and filtering public opinion. But it should not let the individual interests of each interest group take precedence and divert the flow of the economy as a whole.

## * Local Residents Oppose Nuclear Fuel Plant

*922C0253A Chongju CHUNGCHONG ILBO in Korean 4 Sep 92 p 1*

[Text] YONHAP TONGSIN—Trouble is brewing as the local residents have come to know of Korea Nuclear Fuel Company's [KNF's] plan to build a nuclear fuel molding plant in an area of 40,000 pyong or more in Sangdong-ri, Nami-myon, Chongwon County. The company is a government-invested firm located in Tokjin-tong, Yusong-ku, Taejon City, and its representative is Kim Tong-hun.

According to residents of Chongwon County, KNF has drawn up a plan to build a nuclear fuel plant on a site of 40,000 pyong or more stretching from Number 100 through 103 Sangdong-ri in Nami-myon, and has been engaged in an undercover public relations campaign since this past August by organizing meetings to explain the plan and arranging tours of its existing Taejon factory for local residents.

KNF has been trying to form a consensus of opinion among local residents in favor of the plan. It arranged separate tours of its Taejon factory for groups of 19 and 21 on 4 August, and invited 20 or more residents to a certain garden in Choksan-ri, Nami-myon, on 29 August to give an intensive briefing on the background of the plan and safety problems involving nuclear processing.

KNF is reportedly trying hard to justify the construction plan by claiming that the plant, when built, will cause no damage to the local residents and that the plant will have beneficial effects, such as creating new jobs.

Some of the local residents who toured the Taejon factory, favoring the construction plan, have organized a committee to invite the company to set up the plant. But, the majority of the people living on the proposed site are strongly against the plan on the grounds that no amount of assurance for safety can dispel fears of nuclear disaster and that the plan will be an obstacle to the development of the local community. So, trouble is in store for the plan.

Following the briefing by the company and the tour of the Taejon factory, members of the committee to push for the plan even visited a nuclear expert with a doctor's degree at Chungnam University, who assured them that the proposed plant would cause no greater damage than agricultural chemicals. As a result, they are showing a positive attitude toward the plan and making no negative reaction. For this reason, it is speculated that the company must have long been engaged in a covert campaign to pacify and convince the local residents.

On the other hand, most of the residents in densely populated nearby villages, such as Chokbuk, Choksan, and Woechon, not to mention those on the proposed plant site in Nami-myon, do not conceal their fears of nuclear disaster, recalling the mass demonstration on the Anmyon-to Island. They are very sensitive about the possibility of a nuclear facility—even if it will not be a nuclear processing plant but a nuclear fuel molding plant as claimed by the company—being located in the Chongju area, which is expected to grow into a metropolis of a 1 million population.

Originally, KNF had an expansion plan to build a plant in Uidang-myon, Kongju County, South Chungchong Province, and actually tried to push for it. But the opposition of the local residents forced it to shelve the plan and decided to locate the plant in Nami-myon, Chongwon County.

A KNF official, who does not want to be identified, while acknowledging the company's contacts with local residents, was ambiguous when he said that the expansion and relocationing plan has not been firmed up yet.

In this regard, Kim U-yong, deputy magistrate of Chongwon County, said, "Previously, the company asked for a 30,000-pyong site when it planned to create a Pugang [phonetic] industrial complex, but the county rejected the request." He showed a negative attitude toward the KNF's plan to build a nuclear fuel plant when he said, "If an application for plant construction is filed, we will carefully study the feasibility of the plan according to various laws, including the Land Unitization Management Act, and take public opinion into consideration before making a decision."

## Burma

### Troops Poised To Destroy 3 Karen Border Camps

*BK2710031392 Bangkok BANGKOK POST in English 27 Oct 92 p 7*

[Text] Tak—At least 3,000 Burmese government troops have moved closer to the Thai border to crush Karen rebels at three camps opposite border districts here, sources said yesterday.

The troops from three army divisions have been deployed closer to the Karen National Union's [KNU] camps at Mawpasu, opposite Mae Ramat District, Kawmura, opposite Mae Sot District, and Azin, opposite Umphang District, they said.

The 66th Division troops were mobilised by truck and deployed at the 335th Tactical Command, 16 kilometres from the border inside Burma, last week to prepare for an attack on Mawpasu.

Another Burmese force has also moved closer to Kawmura camp.

Troops from the 33rd and 44th Divisions have been moved out of Kya-in Seikkyi and are headed for areas closer to Azin camp.

A KNU commanding officer, identified only as Maj Victor, said at least 1,000 heavily-armed Burmese troops with 300 to 400 porters were moving towards Mawpasu camp.

The troops were only 10 kilometres from the camp, he said, adding that two porters had defected to the Karens.

Maj Victor said the Karen rebels and anti-Rangoon students had already made preparations to counterattack and intercept the advancing troops.

The first counterattack took place on Sunday at Sikayka village 20 kilometres south of Mawpasu.

He said no casualties were recorded on the Karen side but he had no idea about the government forces.

The border sources said the number of Burmese civilians fleeing into Mae Ramat District has increased from 500 to 1,500 and over 100 Thai families who trade at a black market near the Karen camp have also returned home in the face of imminent fighting between the government forces and Karen rebels.

The 7th KNU Division is located at Mawpasu alongside a flourishing black market which the Burmese authorities believe is an economic lifeline for the rebels.

### Junta Renews Departure Bid to Aung San Suu Kyi

*BK2410115092 Hong Kong AFP in English 0902 GMT 24 Oct 92*

[By Elisabeth Zingg]

[Text] Rangoon, Oct 24 (AFP)—Burma's military junta has no plans to release Nobel laureate Aung San Suu Kyi but top officials here reiterated that the opposition leader could leave house arrest here for Britain anytime she wanted.

"We cannot foresee yet when she will be released," Colonel Ye Thut, a member of the ruling junta's information committee, said in an exclusive interview with AFP Friday in which officials said the consolidation of national unity would be placed above any moves towards democracy.

Burmese Minister of Information Major General Myo Thant said in the same interview that Aung San Suu Kyi, who has been detained here for more than three years, could return to her "permanent" address in the British city of Oxford.

"She can go back to her permanent address if she wants," Myo Thant said of the 47-year-old 1991 Nobel Peace Prize laureate, who is married to a British professor and returned to Burma in 1988 to look after her ailing mother before emerging as an opposition leader.

Myo Thant, a top official of the State Law and Order [Restoration] Council [SLORC]—the official name of the military junta that has maintained an iron grip on Burma since 1988—said that Aung San Suu Kyi had been told several times that she could leave.

But the opposition leader, the daughter of Burma's independence hero Aung San, has refused to go and remains under house arrest in what has become a major irritant in relations between Rangoon and Western nations.

Western countries suspended aid to Burma after the junta refused to allow opposition parties elected in 1990 to take power and arrested opposition leaders.

Asked about conditions posed by the West for a restoration of aid, Ye Thut said that "we have to evaluate the pros and cons of change."

According to the officer, Burma is similar in many ways to Yugoslavia, and risks splitting because of the diverse ethnic groups included in the population.

"The consolidation of national unity is of utmost importance. It comes before democratic reforms," he said.

The officials had little to say on recent political developments in Burma, commenting only on the importance of a National Convention to take place at the end of the year to write a new constitution.

But they admitted that the army was to play a central role in the process leading to fresh elections "to prevent the recurrence of insurgencies" among various ethnic groups fighting for independence.

Ye Thut reiterated Rangoon's long-held position that there are no political prisoners in Burma and that all those "in detention are in contravention of laws that exist," adding that "incitement of riots or anti-government activities are illegal."

He refused to give any information on reports of the trials on September 23 of around a dozen people, among them six students arrested for distributing anti-junta tracts in May and June.

"Action was taken according to the law," he said.

But he said trials were continuing of parliamentarians elected in 1990 who are accused of not submitting proper declarations on campaign funds.

"If they are found guilty, they will lose their seats," he said, refusing to say how many legislators were involved.

Diplomats here say that nearly 100 legislators, most of them from the main opposition National League for Democracy, have been brought before courts in recent months.

If they are found guilty they are unlikely to be allowed to take part in the national convention.

### Minister Explains Sein Win's Presence at UNGA

*BK2010021692 Rangoon Radio Burma in Burmese 1330 GMT 19 Oct 92*

[Text] Foreign Minister U Ohn Gyaw and his delegation who attended the United Nations General Assembly [UNGA] returned to Rangoon on 18 October.

Some foreign broadcasting stations and news agencies have reported on the activities of exile Sein Win [prime minister of the National Coalition Government of the Union of Burma] and his group in the first month of the UNGA in New York. A correspondent from MYANMAR NEWS AGENCY interviewed the foreign minister concerning the report in order to provide information on the true situation.

The minister, who led the Burmese delegation, said his speech of 5 October was listened to with keen interest by a majority of the delegates and was heeded by the UNGA president and other officials. He said the speech, which clearly desribed the current domestic and external situation, was viewed as positive.

He said it was learned that exile Sein Win held a news conference that day in a small room of the UN Correspondents Club, which is not a proper place for leaders of delegations to hold news conferences. He added that there is a separate room for delegates to hold news conferences. The room where exiled Sein Win held his is not connected to the UNGA conference hall but is a room for correspondents in the UN employees office building. It is sort of a common room which can be used by correspondents, employees, and their friends.

Exile Sein Win and his party had no permission to enter the UNGA building. Therefore, he probably had to have the news conference in that small room, explained U Ohn Gyaw. There were very few who were interested in exile Sein Win's program and it was learned that only a few correspondents attended his news conference.

He said news agencies and broadcasting stations that have no clear outlook on Burma and have been writing critical articles about Burma were merely fabricating and exaggerating the story to mislead the people. Therefore, he said, the activities of exile Sein Win and his group had no effect at the UN, and the news was not published in the newspapers the next day. He said the objective appeared to be aimed at misleading the Burmese people inside the country.

U Ohn Gyaw explained that the head of Japan's SANKEI SHIMBUN's New York Bureau, who called on him did not ask anything about the movement of exile Sein Win's group but raised constructive questions on the development of Burma. The minister's full speech was published in two and a half pages in the UN press release, and Sein Win's activities was probably not even realized by the delegations.

U Ohn Gyaw said while in New York, he called on the president of the UNGA and the UN secretary general. He also met and held discussions with foreign ministers from Bangladesh, Australia, New Zealand, India, Singapore, Malaysia, the Philippines, Vietnam, Laos, and Papua New Guinea, and the UN under secretary general for humanitarian affairs on bilateral matters and topics of common interests.

The minister for foreign affairs also attended a meeting of foreign ministers of member nations of the Nonaligned Movement in New York and discussed programs to be carried out during the period between the Jakarta Nonaligned Summit and the 48th UNGA session.

On his way back from New York, the minister visited Tokyo, Japan, on 15 and 16 October and held discussions with the foreign minister, Mr. Michio Watanabe, and vice foreign minister, Mr. (Kugi Kakisuwa), on bilateral matters in a cordial atmosphere.

### Lao Agriculture Minister, Delegation Depart

*BK2610143292 Rangoon Burma Television Network in Burmese 1330 GMT 26 Oct 92*

[Text] Agriculture Minister Major General Myint Aung called on General Sisavat Keobounphan, minister of agriculture and forestry of the Lao People's Democratic Republic [LPDR], and his delegation at the latter's guesthouse at 0645 this morning and explained Burma's readiness to help as brotherly and good neighbors in matters of friendly bilateral cooperation, as mentioned in the 22 October meeting with Chairman of the State Law and Order Restoration Council General Than Shwe; bilateral agriculture matters and cooperation, as discussed with Agriculture Minister Maj. Gen. Myint Aung on 20 October; and the meetings between responsible personnel from the Lao delegation and their counterparts from the Burmese Agriculture Ministry.

The visiting Lao agriculture minister and Agriculture Minister Maj. Gen. Myint Aung next proceeded to the airport in a motorcade.

The Lao agriculture minister and delegation departed Rangoon on Myanmar Airways at 0745 this morning and were seen off at Rangoon airport by Agriculture Minister Maj. Gen. Myint Aung and responsible personnel from the Ministry of Agriculture, the Ministry of Forestry Affairs, and the Ministry of Livestock Breeding and Fisheries.

## Rebel Groups Sign Manerplaw Treaty on Federalism

*BK1810125392 (Clandestine) Democratic Voice of Burma in Burmese 1430 GMT 17 Oct 92*

[Text] Manerplaw Treaty—Agreement on Establishing the Federated States of the Union of Burma

Burma is a country where various national races and ethnic groups have settled and lived together in geographically linked territories for thousands of years. It is a nation that belongs to all the national races. Burma can exist as a strong and united nation if and only if it can be established with truely federated states based on the eternal unity among the national races.

In order to accomplish this General Aung San and other leaders of the indigenous groups signed the Panglong Treaty on 12 February 1947. But in reality, this treaty has never materialized.

Now, the national ethnic groups are losing their national rights because of the dominant role of fascist dictatorial BSPP [Burma Socialist Program Party] and the SLORC [State Law and Order Restoration Council] which practices a policy of chauvinism. The public is also losing its democratic and basic human rights. The unity among the national races is deteriorating and the fire of civil war is still raging in the country. Therefore, all the national races and the people in Burma want to uproot the dictatorial system and also want to establish a nation with federated states that guarantee national equality, self determination, democracy, and basic human rights. The most important things needed to create a federal union with equality, freedom, unity, security, fraternity, mutual respect, and developments are the uprooting of the dictatorial rule of the SLORC and the establishment of democracy, peace, and genuinely federated states.

Under these circumstances, the following organizations—

1. The National Coalition Government of the Union of Burma [NCGUB],
2. The National League for Democracy [NLD] of the liberated region,
3. The Democratic Alliance of Burma [DAB], and
4. The National Democratic Front [NDF]—have strongly agreed upon the following at the Manerplaw headquarters on 31 July 1992.

A. To fight together against chauvinism, the fascist dictatorial system, and the SLORC, which practices chauvinism and a fascist dictatorial system, until they are all eradicated.

B. To convene a genuine national convention with the participation of all the national races and the political parties when a free and peaceful situation prevails after the destruction of the dictatorial rule of the SLORC.

C. To draft a constitution of the genuine federated states based on the unanimous wishes of all the national races and the populace.

D. To practice the policy of non-restricted fundamental national rights for all the national and ethnic groups without granting special privileges to any group.

E. To establish a federated union that guarantee national equality, self-determination, democracy, and full fundamental human rights for all the national races.

In establishing a federated union the following will be accommodated:

1. The federated union shall comprise the Kachin, Karen, Karenni [Kayah], Chin, Burman, Mon, Arakan, and Shan states.

2. The individual federal states can retain all their powers except the powers conceded to the federation as a whole; the various individual states have the right to practice their own legislative, administrative, and judicial powers.

3. To have a bicameral legislature having a national assembly—the upper house, and a people's assembly—the lower house, in the federal union.

4. To keep the armed forces of the federal union and the states under the administration of the public, which comprises various national races.

5. To organize a system that counterbalances the three organs of federal power—the legislative power, the judicial power, and the administrative power and to practice an independent judicial system.

6. To prevent the reemergence of Burmese chauvinism and the fascist dictatorial system.

[Signed] Dr. Sein Win, prime minister, the NCGUB; U Tin Aung, secretary, the NLD of the liberated region; Saw Bo Mya, chairman, the DAB; Naing Shwe Kyin, chairman, the NDF.

Dated: 31 July 1992.

### Active Participation in Political Process Urged

*BK1910123592 Rangoon Radio Burma in English 0710 GMT 19 Oct 92*

[Article by Thura Thamein from the 19 October WORKING PEOPLE'S DAILY: "Towards the Ultimate Objective"]

[Text] Earlier this week, the Convening Commission of the National Convention formed the management committee with the view to carrying out its duties and functions more effectively and successfully. The formation of this management committee headed by Inspector General of the Ministry of Defense Brigadier General Tin Aye on 15 October 1992 comes closely after the formation of the commission itself on 2 October 1992 by the State Law and Order Restoration Council [SLORC]. The commission has delegated authority to the committee for the day to day running of the convention and the necessary functions before and during the time it is convened.

Ultimate Objective:

The SLORC from the very outset has declared its commitment to retransfer state power to the people in whom it was initially vested through democratic means within the shortest time possible. Gradual restoration of law and order and the return of peace and tranquility would result in this ultimate objective.

Retransfer of State Power:

This has been clearly understood by all who believe in the SLORC's noble desire. A few months back, the steering committee for the holding of the national convention was formed, which went into the business of holding preliminary discussion to pave the way for the convention to be held. Notably, there was free and frank exchange of views during that preliminary discussion.

Those invited to attend, those eligible and the stipulations, and the steering committee also discussed the preliminary arrangement. [sentence as heard] There have also been a discussion concerning invitation of service personnel, intellectual, and intelligentsia.

Step by Step:

It is the understanding of the public that all necessary arrangements must be made carefully and correctly in order that the convention may be held smoothly and successfully. It was made known from the very outset also that the primary task of law and order restoration itself could not be assured by the SLORC alone and that all who have a stake in the future well-being of this nation must also shoulder responsibilities. How well arrangements can be implemented depends on the kinds of all-round cooperation that is available from all quarters involved.

As it was with other occasions when mass participation was called for, when each and everyone has to contribute towards the success of the task at hand, actual wholehearted participation, either directly or indirectly, will go a long way towards success of what we are trying to accomplish.

Duties and Rights:

The national convention convening management committee, the 36-man body, recently [was] formed and charged with looking after the security, accommodations, transport, messing, entertainment, welfare, medical care, and other tasks in connection with the delegates attending the convention. The committee is also to see the systematic, smooth, and successful holding of the convention. To enable them to discharge their duties it is assigned, the committee is also given certain rights such as increasing and (?coordinating) members, forming subcommittees, obtaining necessary assistance and funds to enable it to function as required.

Active Participation:

Emergence of the state constitution is the duty of all citizens of Myanmar [Burma]. The retransfer of state power to the people, which is the SLORC's noble desire, cannot be accomplished without a firm and strong national charter in which is enshrined all the wishes and aspirations of the people of all the states and divisions of this union. In the months ahead before and during the holding of the national convention, which will lay down the principles on which the writing of the new constitution will be based, service personnel in their various capacities and others, the various strata of the general public, must come forward and ensure active participation towards making the convention a success.

Those representing all sections of the public although not seated at the convention are nonetheless required to do what they can to contribute to its success. The constitution is our constitution, the convention is our convention, and the subsequent outcome of the convention, the principles on which the drafting process will be based, also concerns us. We the people must show support for and work toward success of the convention.

## Brunei, Malaysia & Singapore

## Malaysia

### Mahathir on GATT, Need for Economic Caucus

*BK2710113992 Kuala Lumpur BERNAMA in English 0845 GMT 27 Oct 92*

[Text] Kuala Lumpur, Oct 27 (OANA-BERNAMA)—Prime Minister Dr. Mahathir Mohamed said Malaysia, as a nation by itself, would not be able to exert pressure on the world trading blocs to open their markets.

For that reason, Malaysia proposed the East Asian Economic Caucus (EAEC) as a forum to put pressure on the world trading blocs, he added.

"If there is EAEC, we can pressure them to open their markets but if it is Malaysia alone, no one would want to listen," he said when commenting on the recent collapse of General Agreement on Tariffs and Trade talks between the European Community and United States on farm subsidies in Brussels.

Dr. Mahathir said he would not be urging ASEAN to take follow-up action in view of the collapsed GATT talks because Malaysia had already mooted the establishment of the EAEC.

"We will not do anything because we have pushed for the EAEC. It is up to ASEAN to take follow-up action," he added.

The collapse, according to news reports, could jeopardise the Uruguay Round of GATT as well as open up competition between international trading blocs.

Dr. Mahathir also said the decision of the ASEAN economic ministers meeting to speed up achievement of the ASEAN Free Trade Area (AFTA) within 10 years instead of the original 15 was a good development.

Formation of AFTA would be more meaningful if it focused on goods which were genuinely traded among ASEAN countries only, he added.

"Although there is now the common effective preferential tariff (CEPT) scheme for 15 groups of goods it is only the beginning because after this we will reduce tariffs until there is no longer any like in the European Community," he said.

Dr. Mahathir said ASEAN countries should hold further discussions because CEPT might, at times, affect the interests of a member country and cause them to think twice about accepting it.

"But if we are willing to discuss, the problem would be resolved," he added.

## Moves Toward Implementation of AFTA Applauded

*BK2710113792 Kuala Lumpur Voice of Malaysia in English 0800 GMT 27 Oct 92*

[Station commentary]

[Text] ASEAN economic ministers meeting in Manila have produced great results as it has paved the way for the speedy implementation of the ASEAN Free Trade [Area], AFTA, next year. As a result, the mood now among member nations is one of high expectations to reduce existing tariffs and enhance regional trade. Even the proposed 15-year period has been cut down to 10 years—an indication of the earnestness among the ASEAN-Six to see AFTA formed as quickly as possible. In a nutshell, these countries have taken major steps together toward greater economic integration. ASEAN has for 25 years lacked concrete success economically and, particularly, in economic cooperation. This is evident from the slow progress of the preferential trading agreement, the ASEAN industrial projects, ASEAN industrial complementation scheme, and the ASEAN industrial joint-venture program. Now that it has got [words indistinct], AFTA is expected to change all that. Perhaps later this could further evolve into a common market, an idea not impossible given the move to reduce national tariffs. For ASEAN, the first step on the long journey will be the introduction of the common effective preferential tariffs, CEPT, scheme. It will see tariffs being reduced from the present 60 percent to a minimum of 5 percent, to a maximum of 0 percent in 10 years.

The Manila meeting is also a great achievement as it is the first time ASEAN has confirmed the 15-product sector for accelerated tariff reduction. They include vegetable oil, cement, chemicals, pharmaceuticals, fertilizers, plastics, rubber products, pulp, textiles, ceramic and glass products, gems and jewelry, copper, cattle, electronics, and [words indistinct]. Trade in these products is estimated at U.S. $9.3 billion or about 37 percent of total intra-ASEAN imports. But under AFTA, the volume is projected to increase significantly. The newly launched AFTA Council, which will implement CEPT, will meet in Jakarta in December to finalize details of the program, particularly specific products included or to be excluded from the tariff scheme. However, given that some industries will need more time to go and become efficient, there are provisions for certain products that are deemed sensitive. And an incentive toward the easier implementation of AFTA is that the development [words indistinct] between the member countries is narrower. This has been brought about by the strong econmic growth and the successful broadening of exports by the countries concerned.

With the rapidly liberalizing economies of China, Indochina, and Eastern Europe, it is important for ASEAN to become cohesive and effective in economic cooperation as well as be able to compete globally. So, AFTA is not just [words indistinct] of reducing tariffs, but on a larger perspective the step toward providing a better overall investment climate of countries for foreign and ASEAN investors in view of its potentially large market of 320 million people. What has been achieved in Manila is a major step forward. ASEAN's success in getting AFTA moving is all the more important against the backdrop of the failure of the global trade talks.

What is needed now is for ASEAN ministers to present a clearer picture of AFTA [words indistinct] so that the private sector can react positively. ASEAN cannot let this [words indistinct] and should continuously work toward bringing ASEAN to [words indistinct] if it wants to continue being an attractive haven for foreign capital.

### Mahathir Hails Philippine Moves on Sabah Claim

*BK2210154192 Kuala Lumpur Radio Malaysia Network in Malay 1430 GMT 22 Oct 92*

[Text] The prime minister says he will welcome the Philippines' decision to establish a special bureau to look into its claim to Sabah if the step is designed to improve relations with Malaysia. Dr. Mahathir was commenting on reports that the Philippines was establishing a special bureau, the main tasks of which would be to study the Sabah issue and seek ways to improve Malaysian-Philippine relations. On Philippine residents in Sabah, he said that Malaysia would not prevent them from returning home. The problem that Malaysia faces is that these Filipinos will return to the country after being repatriated. Malaysia cannot but repatriate them.

In Kota Baharu, Foreign Minister Datuk Abdullah Ahmad Badawi said that the Philippines' decision to establish a special bureau in view of its claim to Sabah had reflected and demonstrated its intention to completely drop the claim. This is a measure which is really aimed at completely dropping that country's claim to Sabah. He hoped that remarks by the Philippine administration that it would drop the claim would become a reality. The step to establish the special bureau also reflected Philippine President Fidel Ramos' efforts to prove his intention to drop the claim to Sabah.

Meanwhile, Datuk Abdullah was annoyed by reports that Malaysians were involved in illegal labor activities in foreign countries. He said citizens who were making a living abroad should preserve Malaysia's high reputation.

### Investment Accord Signed With Papua New Guinea

*BK2710071492 Kuala Lumpur Voice of Malaysia in English 0600 GMT 27 Oct 92*

[Text] Malaysia and Papua New Guinea, PNG, have signed an agreement for the protection of investment. The pact marked a new chapter in bilateral, economic, and trade relations between both countries. It was signed by the Minister of International Trade and Industry, Datuk Sri Rafidah Aziz and her counterpart from PNG, (David Maie) [name as received] who is on a five-day visit to Malaysia.

Speaking at the ceremony, Datuk Sri Rafidah said the agreement would help expand economic and industrial cooperation on a long-term basis. She urged PNG businessmen to take advantage of the opportunities available in Malaysia.

She points out that Malaysian businessmen, on the other hand, have already made their presence felt in PNG. At the moment, about 75 Malaysian companies have invested in PNG in various fields.

### Spill Compensation From Japanese Tanker Viewed

*BK2510080292 Kuala Lumpur Voice of Malaysia in English 0600 GMT 25 Oct 92*

[Text] The government will proceed with making claims to the owner of the tanker Nagasaki Spirit for compensation because of oil spillage, which have caused losses to the local people. Prime Minister Datuk Sri Dr. Mahathir said he is studying the report of estimated loss submitted by those involved, including hotel operators and fishermen.

The government's priority now is to equip the Department of Environment, DOE, with the necessary equipment to fight oil slicks. However, such efforts will be meaningless if shipping companies and countries involved refuse to share joint responsibility. It is unfair that Malaysia has to shoulder the burden and the losses for the pollution created by others. They are using the Straits of Malacca without being charged any fee. Datuk Sri Dr. Mahathir said this to newsmen at Langkawi island airport before leaving for Kuala Lumpur.

### Deputy Premier Meets Slovenia's Foreign Minister

*BK2310093692 Kuala Lumpur Voice of Malaysia in English 0800 GMT 23 Oct 92*

[Text] Slovenia's Foreign Minister Dr. Dimitrij Rupel today called on Deputy Prime Minister Ghafar Baba at his office in Kuala Lumpur. They discussed air links, trade, and other matters of mutual interest. Speaking to reporters later, Mr. Ghafar said Malaysia would consider Slovenia's offer to sell machineries, including heavy items, such as fork cranes. Malaysia was also ready to hold further talks on air links between the two countries.

Dr. Rupel, accompanied by senior officials of his government, arrived in Kuala Lumpur yesterday for a two-day visit. He also held talks with his Malaysian counterpart Datuk Abdullah Ahmad Badawi, Transport Minister Datuk Sri Dr. Ling Liong Sik and gave a talk at the Institute of Diplomacy and Foreign Affairs.

### Minister on Possible Boycott of Austrian Products

*BK2710053092 Kuala Lumpur BERNAMA in English 0348 GMT 27 Oct 92*

[Text] Kuala Lumpur, Oct 27 (OANA/BERNAMA)—Malaysia and other tropical timber-producing countries may have to boycott goods from Austria if that country fails to rescind its recently-passed eco-labelling law, Primary Industries Minister Dr. Lim Keng Yaik said yesterday.

He made it clear, however, that the boycott would only be imposed if it became necessary to retaliate against the Austrian law.

"We have no other choice... You do this to us, we boycott your products," he told reporters here.

Dr. Lim said the legislation, although a "watered-down" version of an earlier proposed bill, was inconsistent with the General Agreement on Tariffs and Trade (GATT) and counter-productive for Austria's trade relations.

He said he would spearhead the anti-Austria retaliation action by ASEAN and other tropical timber-producing countries if the situation warranted it.

The eco-labelling bill started out as a simple consumer-education and information dissemination exercise in view of the adverse publicity in the on-going anti-tropical timber campaign in Europe since the Earth Summit in Rio, according to Dr. Lim.

"The Austrians did not realise the implications when they passed it and the Europeans have already been brainwashed on the timber... And when you have this eco-labelling, you are already telling the people this is a bad product," he said.

He added that ministry had previously sent missions to France, Britain, Belgium and Holland to explain about tropical timber but not to Austria.

### PRC Firm Wins Contracts 'for Various Projects'

*BK2410104292 Kuala Lumpur BERNAMA in English 0830 GMT 24 Oct 92*

[Text] Penang (Malaysia), Oct 24 (OANA-BERNAMA)— China Beijing Corp has secured M$150 million (about US$60 million) in contracts for various projects in Malaysia, the English daily, THE STAR, reported Saturday.

Beijing Municipal Foreign Economic Relations and Trade Commission Deputy Commissioner Wan Jifei said the corporation, through its Malaysian incorporated unit, China Beijing Corp (M) Sdn Bhd [Company Limited], already had a joint-venture project with a firm in the East Malaysian state of Sabah to build the state government's agricultural training college.

Work had started on the M$25 million (about US$10 million) project, which was expected to be completed by the middle of next year, he told reporters after leading a five-member delegation to call on chief minister of the northwestern Penang state, Dr. Koh Tsu Koon.

Wan said the delegation was on an investment and promotion trip to several countries including Indonesia, Singapore and Australia.

"We also hope to seek partnerships for projects," he said.

### Troops on Standby for Peacekeeping in Somalia

*BK2410081892 Kuala Lumpur BERNAMA in English 0746 GMT 24 Oct 92*

[Text] Kuala Lumpur, Oct 24 (OANA-BERNAMA)— Malaysia has put a battalion of troops on standby for possible United Nations peacekeeping duties in Somalia, Army Chief General Abdul Rahman Abdul Hamid said Saturday. There have been indications from the UN that Malaysian troops might be needed in Somalia to protect relief efforts in the war-torn East African nation, he told reporters here.

He said: The strength of troops to be sent there is still not known as there is no official request from the world body yet.

Gen. Abdul Rahman also said that the Malaysian battalion doing UN peacekeeping duties in Cambodia might be relieved by another unit if the peace process there took a longer time. He said the 850-man battalion, mostly deployed in the western province of Battambang, was to serve one year from March/April this year.

The troops need to be replaced after one year as the tough conditions in Cambodia would reduce their efficiency, he added.

Although no Malaysians had been injured due to military hostilities between the warring factions in Cambodia since their deployment, over 20 had been reportedly afflicted with malaria including one soldier who died earlier this year.

The UN peace process in Cambodia, which calls for free election in the middle of next year, had been hampered by the refusal of the formerly Chinese-backed Khmer Rouge faction to disarm themselves and participate in the peace process.

### UMNO Asks Review of Financial Aid to Kelantan

*BK2610150292 Kuala Lumpur Radio Malaysia Network in English 1330 GMT 26 Oct 92*

[Text] Kelantan UMNO [United Malays National Organization] wants the federal government to review financial assistance given to the opposition PAS [Pan-Malaysian Islamic Party]-led state government. State UMNO Liaison Committee Secretary Haji Ahmad Shahabuddin Mohamed Nor said the call was made in one of six resolutions adopted at the state UMNO convention which ended in Kota Baharu. In calling for the review, the state UMNO expressed fears that the assistance would be channeled to other uses in view of the chaotic situation in the state government.

Speaking to reporters after the convention yesterday, Haji Ahmad said UMNO's assistance should be given only after projects had been implemented. Among the assistance that needed to be reviewed were road maintenance plans, economic development aid, and annual grants to local authorities provided under the federal Constitution.

The convention opened by Prime Minister Datuk Sri Dr. Mahathir on Friday also felt UMNO was the only party that could act as champion of the people of Kelantan. As such, it called on party leaders and members to upgrade activities in line with the theme "Unite To Save Kelantan" by organizing programs and strategies to win the confidence of the people.

The convention agreed with the directive that a united UMNO leadership in the state should effectively expose all malpractices by the Angkatan Perpaduan Ummah [Islamic Unity Movement], APU, led by PAS. It also called on the federal government to take a serious view of loan repayments by the state government. It said the federal government should [word indistinct] all loans given to the Kelantan Economic Development Corporation to check misuse. In this connection, the convention suggested that the federal government make direct deductions of loan repayments from grants to be given to the state government.

### Sabah Gas Industries Sold to Local Manufacturers

*BK2210130192 Kuala Lumpur NEW STRAITS TIMES in English 21 Oct 92 p 1*

[By Noorzita Samad; currency in Malaysian ringgit]

[Text] Kuala Lumpur, Tues.—Sabah Gas Industries Bhd. [Limited] (SGI) has been jointly bought over by three local steel manufacturers from the Minister of Finance Inc. [name as published] for $84 million in cash.

The three companies—Amalgamated Steel Mills Bhd. (ASM), Malayawata Steel Bhd., and Southern Iron and Steel Works—will hold a 75 percent, 15 percent, and 10 percent stake respectively in SGI.

The joint acquisition by the three companies will be effected through Steelcorp Sdn. Bhd. [Private Limited], a hitherto dormant company, which would eventually be capitalised at $85 million.

Steelcorp signed a sale and purchase agreement with the Minister of Finance Inc. on Oct. 16, 1992 to acquire SGI which has a paid-up capital of $371.9 million.

SGI, which formed part of the $2.4 billion Sabah Gas Utilisation Project (SGUP), was an ailing company before it was taken over from the Sabah Government by the Federal Government on April 2.

The takeover was made under the two-stage restructuring plan of the insolvent SGUP.

Finance Minister Datuk Sri Anwar Ibrahim, who had signed the agreement on the transfer of SGUP with Sabah Chief Minister Datuk Sri Pairin Kitingan, had said that SGI would eventually be privatised.

Today's acquisition was announced by ASM and Malayawata, two listed companies, to the Kuala Lumpur Stock Exchange.

ASM said that under the agreement, the purchase of SGI was made on the basis that as at Oct. 16, SGI shall have no assets and liabilities except for the hot briquetted iron plant.

Accordingly, the agreement also stated that the vendor is responsible to discharge any and all liabilities of SGI.

SGI's principal business is the manufacture of hot briquetted iron from iron ore, a process which employs gas as a reducing agent.

As SGI consumes large quantities of gas in its manufacturing process, the purchase is conditional upon SGI entering into a gas supply agreement with Petronas [National Petroleum Corporation] Methanol (Labuan) Sdn. Bhd.

ASM said the acquisition was also subject to the approval of the Ministry of International Trade and Industry since SGI holds a manufacturing licence issued by it.

Malayawata said the SGI acquisition represented a strategic investment to secure sourcing of alternative raw materials for the company's electric arc furnace.

The acquisition would also enable the company to reduce its reliance on the use of scrap, which is the main raw material in the manufacture of wire rods and bars.

## Singapore

### Statistics Department Discloses Inflation Rate

*BK2510084492 Singapore THE STRAITS TIMES in English 24 Oct 92 p 25*

[Text] Singapore's inflation rate in the first nine months of 1992 was 2.3 percent, after a marginal 0.1 percent rise in the consumer price index in September over the previous month. Inflation for the whole year, thus, looks set to be significantly lower than last year's 3.5 percent.

In a press statement yesterday, the Department of Statistics said that September's food prices fell by 0.2 percent as cheaper fish and vegetables had more than offset higher prices of fruits. Prices of clothing, on the other hand, rose 1.3 percent because of dearer ready-made garments.

Prices of miscellaneous items like educational and medical expenses rose slightly by 0.4 percent, while costs of housing, transport, and communication remained stable during the month.

## Cambodia

### Chhean Vam To Hire Lawyer for Paris Peace Plan

*BK2510052292 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 24 Oct 92*

["Press Communique of Chhean Vam, former prime minister and adviser of the Cambodian Committee following the implementation of the Paris agreement" issued in Paris on 27 September—read by announcer]

[Text] Beloved ladies, gentlemen, and compatriots: Through recent consultations among ourselves, our attention was drawn to the uncertain future of peace in Cambodia; that is, there is no guarantee of a solution based on national reconciliation to restore Cambodia's independence with full territorial integrity.

In such a political situation, the committee following the implementation of the Paris agreement will not absolutely bow to this. On the contrary, to show our determination in continuing our activities, and with all our friends' permission, I would like to inform compatriots that soon we will hire a competent lawyer of international calibre to assist us in defending the just cause for which all of us are currently fighting.

To achieve this goal, we are ready to spend the necessary amount of money to hire this lawyer. We believe that all our Cambodian compatriots and nationalists living in France, the United States, Canada, Australia, Switzerland, and other European countries, would undoubtedly provide precious contributions to assist and support us according to their ability. We also believe that other generous persons the world over, whose affectionate feelings are strongly bound to Cambodia's tragic destiny, will not be indifferent in providing us firm assistance and support.

With immense thanks.

[Dated] Paris, 27 September 1992
[Signed] Chhean Vam, former prime minister and adviser of the Cambodian Committee following the implementation of the Paris agreement in France

## Fighting Reported in Kompong Cham Province

*BK1710013992 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 16 Oct 92*

["Report on the Routing of Attacks by the Vietnamese Aggressors and Puppets in Kompong Cham Province"]

[Text] There are reports saying that fighting took place between the National Army of Democratic Kampuchea [NADK] in cooperation with the people and troops of the Vietnamese aggressors and puppets in Kompong Cham Province on Route 21 from Kompong Thmar to Treng.

The reports say that the Vietnamese aggressors dispatched 500 of their soldiers from Vietnam's 7th Military Region in Tay Ninh to Kompong Cham, to serve as the core force cooperating with the puppet troops in the 2d Military Region in Kompong Cham, to launch attacks along Route 12 in Kompong Thom [Province] and Chamka Leu [District] along Routes 21 and 24 in Kompong Cham.

People know that Vietnam's 7th Military Region in Tay Ninh and the 2d Military Region in Kompong Cham are the military regions that have signed the cooperation alliance. The reports say that the Vietnamese aggressors and puppets have plans to launch offensives at the beginning of this 15th dry season. The reports say that the offensive by the Vietnamese aggressors and puppets in Kompong Cham since early October have been smashed and routed by the NADK and the people.

During the offensive, the Vietnamese aggressors and puppets were unable to hit directly at the NADK forces; they concentrated on robbing people in villages along Route 21. This greatly angered the people, who with a rage built up over 14 years, have joined the NADK in fighting back against the Vietnamese aggressors and puppets militarily, politically, economically, and have cut the enemy's transport roads in just a few days. The enemies were unable to endure this. However, the people say that the Vietnamese enemy and puppets continue their plans; thus, the people will be on constant alert.

## Phnom Penh on Khmer Rouge Military Activities

*BK2510063892 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 2300 GMT 24 Oct 92*

[Text] On 16 October, between 400 and 450 Khmer Rouge bandits from Divisions 417 and 785, in collaboration with their secret elements numbering about 500, attacked Koki Thom and Krava Communes in Kompong Thom Province in the sectors 79/26 and 77/27. They also threatened and robbed UNTAC [UN Transitional Authority in Cambodia] troops, who went to (?Phlai) Village of Koki Thom Commune, of three wrist watches.

Also on 16 October in the sector [name indistinct], 300 war-mongering Khmer Rouge soldiers from Division 417 and 705 traveled in 40 boats toward O Salang east of Stoeng Kambot River; the remaining troops were deployed along the river around [name indistinct].

## Son Sann Evocation of Vietnamese Issues Viewed

*BK1810105192 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 1300 GMT 17 Oct 92*

[Pracheachon commentary: "Is It a Contribution to the Search for a Peaceful Solution or an Addendum to the Deadlock?"]

[Text] In one of Mr. Son Sann's letters disclosed at a meeting in New York titled "Contribution to the Search for a Solution to the Currently Deadlocked Implementation of the Paris Accord on Cambodia," the issue of the withdrawal of all foreign troops from Cambodia and the issue of illegal Vietnamese nationals in Cambodia were raised. The statement seemed to be attractive and was vigorously applauded and echoed by other Cambodian parties.

However, we believe that the issues evoked are the same, old, obsolete ones that the Paris accord has already taken into consideration and put into application. The State of Cambodia [SOC] side has been unilaterally solving the issues since September 1989, that is, one year before the Paris accord became operative.

In a statement, Mr. Akashi, head of UNTAC [UN Transitional Authority in Cambodia], made it clear that the issue of civilian foreigners—including foreign workers and nationals or, in general, Cambodian nationals having foreign origins—should be discussed separately from the issue of foreign troops. Also, he stressed that the issue cannot be resolved and will not be resolved during the transitional period.

Mr. Pan Thai, a general of the armed forces of the Khmer People's National Liberation Front, told a group of reporters: I have never been informed by my troops of the presence of Vietnamese troops in Cambodian territory. Since this is the case, what Mr. Son Sann asserted to be a contribution to the search for a peaceful solution is actually an addendum to the deadlock.

Worse still, in his letter Mr. Son Sann also raised the issue of human rights and demanded the dissolution of the SOC police force. In more easily understood words, that means nothing but the dismantling of the existing SOC Government. This is all part of his tactics, which are aimed chiefly at dissolving the SOC through political means, contrary to the accord's spirit and totally against the aspiration of the Cambodian people, in particular the process of seeking a genuine peace for Cambodia.

As we already know, in the past few months, with the setting up of numerous political parties in Phnom Penh in combination with the indiscriminate implementation of human rights by a group of individuals, robbery and manslaughter have increased alarmingly. But thanks to the close collaboration between the police forces of SOC and UNTAC, acts of stealing, robbery, and assassination have diminished significantly. The Phnom Penh residents as well as the inhabitants in some provinces have been delighted with and praised the move. That being the case, does the demand for the dissolution of the SOC police force made by Mr. Son Sann really represent the wish of the people or is it only for the advantages of a handfull of individuals who have vested interests in those acts of robbery?

While Mr. Son Sann issued the statement in New York, UNTAC spokesman Lieutenant Colonel Dick Palk said a group of Khmer Rouge elements recently kidnapped and detained eight Vietnamese nationals, mostly women and children, at a village in the northern part of Tonle Sap River as hostages.

In sum, along with all other activities, the aforementioned statement is nothing but an addendum to the deadlock in the process of the search for a solution to the Cambodian problem and also a maneuver to overthrow SOC before elections are held.

The Cambodian People's Party and the Cambodian people, who want peace and a multiparty political system, fully uphold Prince Sihanouk's statement on democracy and a multiparty system, saying there should be truthfulness in the freedom to criticize, to write newspapers, to make leaflets and speeches, and to conduct propaganda; criticism should be made to serve the nation and in the interests of our nation and motherland. If our talk is destructive and our criticism is divisive, this means that we do not follow (?the advice of Lord Buddha) at all.

## Press Communique on SNC 20 Oct Meeting

*BK2710074392 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 27 Oct 92*

["Press communique on the Supreme National Council meeting on 20 October 1992"—read by announcer]

[Text] On 20 October 1992 at 0900 at Damnak Chan pavilion, the Cambodian Supreme National Council [SNC] met under the lofty chairmanship of His Royal Highness Prince Norodom Sihanouk, Cambodia's head of state and SNC chairman, with the participation of His Excellency [H.E.] Yasushi Akashi, special representative of the UN Secretary General.

Also present were representatives of the five permanent members of the UN Security Council; the representative of Indonesia, cochairman of the Paris conference on Cambodia; and a number of observers.

1. Review of the latest developments: Addresses were made by HRH Prince Norodom Sihanouk, Akashi, and the ambassador of the Russian Federation in his role as coordinator of the core group. Referring to resolution 783 adopted by the Security Council, Akashi reported that major diplomatic steps and other steps have begun.

Akashi denounced the destruction of two bridges on Route 6 and 21 and the abduction and killing of Vietnamese-speaking fishermen in Koh Kong Province. He appealed to all parties to assist UNTAC [UN Transitional Authority in Cambodia] in identifying those responsible and to ensure that such acts not be allowed to recur. The ambassador of the Russian Federation, in his role as coordinator of the core group, expressed great concern over these incidents and expressed the hope that the cease-fire will be fully respected by all parties.

Akashi reported that the registration of voters started in Phnom Penh on 5 October and that about 70,000 people have been registered since. He pointed out the remarkable efforts of officials of parties that have already registered and praised voters in Phnom Penh. Akashi reported that 160,000 Cambodians would be repatriated by the end of this month and that three border camps have been closed. He also informed the SNC of his appointment of an acting director of the Cambodian Mine Center and five members to a consultative and leading group. He expressed the hope that along with the other five members to be appointed by HRH Prince Norodom Sihanouk, the consultative and leading group could convene a meeting in early November to decide on the budget and operation plan.

Akashi also reported on the progress of the work to set the SNC stamp on existing passports and the communique on the export of logs from Cambodia. He also announced that UNTAC radio will start its transmission from Phnom Penh with the assistance of the State of Cambodia [SOC], namely the Phnom Penh administration.

2. Principles of the Constitution. Addresses were made by HRH Prince Norodom Sihanouk, Akashi, Khieu Samphan, Hor Namhong, Son Sann, and Prince Ranariddh. Akashi proposed the setting up of an UNTAC section to support the Constitution under the leadership of the special envoy's office to work closely with the SNC chairman. He said this section will assist in the study and comparison of constitutions. He also said that UNTAC will sort this out with various parties and organize a number of seminars.

3. Minor amendments to the election law. Addresses were made by HRH Prince Norodom Sihanouk, Akashi, and Hor Namhong. Akashi introduced a number of amendments specifying that these are to solve minor difficulties and the issue of teachers. He asked the SNC to approve these amendments. Akashi also agreed with Hor Namhong for some time to consider them.

4. The privatization of public property. Addresses were made by HRH Prince Norodom Sihanouk , Akashi, Son Sann, Hor Namhong, and Khieu Samphan. Akashi talked broadly about the issue and specified that UNTAC is currently moving into the phase of active control of finance, including expenditure and income of all parties. Effective control has also been included in the printing of banknotes and the management of reserve funds outside the country.

Akashi also specified that UNTAC will start with the SOC side, and shortly after that with FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia], and the Khmer People's National Liberation Front [KPNLF]. He hoped that there would be a development in the attitude of Democratic Kampuchea, for instance in allowing UNTAC to start scrutinizing the activities of this party.

Son Sann, Hor Namhong, and Khieu Samphan expressed their positions and some opinions. Khieu Samphan expressed concern over the sale of public property and the printing of banknotes by only one side. Akashi replied and pledged to check and report to the SNC.

5. The building of a neutral political atmosphere. Addresses were made by HRH Prince Norodom Sihanouk, Akashi, Son Sann, Hor Namhong, and Khieu Samphan. Akashi explained the necessary steps to create such an atmosphere. He pointed to the necessity of maintaining a military balance until disarming and demobilization have been completed. He said the freedom to open offices for the various parties is an important factor in the agreement on the election. He added that threat and intimidation against these offices should stop. Akashi stressed that UNTAC has got those with the proper qualificatins to register as voters. UNTAC will make further efforts to disseminate information.

Finally, he reminded all parties about the benefits of defending basic human rights and essential freedoms. Son Sann put forward a proposal to solve the current impasse. Hor Namhong voiced his full support for the points made by Akashi. Khieu Samphan repeated his stance and stressed the importance of control over the police.

6. Reports by the technical advisory committee on rehabilitation. Reports were made by HRH Prince Norodom Sihanouk and Akashi. Akashi submitted the report by the technical advisory committee on rehabilitation and proposed that the SNC adopts the following:

92/26. Preservation of Angkor

92/27. Promotion and development of the metallurgical industry which is related to the agronomies of the least developed countries as phase one.

Support was given to these projects.

7. The issue of foreign forces. Addresses were made by HRH Prince Norodom Sihanouk, Akashi, and Khieu Samphan. Akashi forwarded a proposal in connection with this issue and on an investigation as stipulated in the preamble of the Paris agreement.

Afterward, Akashi suggested that the SNC accept his proposal. HRH Prince Norodom Sihanouk expressed full support for Akashi's proposal. Khieu Samphan stressed his stance and proposed the setting up of a special SNC committee under UNTAC to deal with foreign residents. Akashi said he will consider the possiblity and will take effective measures in consultation with the SNC. Akashi's proposal was generally agreed upon.

8. The establishment of a Cambodian authority for the protection of national heritage. Addresses were made by HRH Prince Norodom Sihanouk, Akashi, Hor Namhong, Son Sann, and Khieu Samphan. Akashi submitted a draft constitution on the establishment of a Cambodian authority for the protection of national heritage, NHPAC [?National Heritage Protection Authority of Cambodia] and recommended that the SNC adopt this plan.

The draft constitution was generally accepted with one party adding that more time is needed to examine it.

9. Other matters. The next SNC meeting will be held on 8 December 1992 at 0800 in Phnom Penh.

### KR Guerrilla in Bridge Attack 'Produced' 21 Oct

*BK2410014692 Hong Kong AFP in English 1556 GMT 21 Oct 92*

[Text] Phnom Penh, Oct 21 (AFP) - The Phnom Penh government produced Wednesday a Khmer Rouge [KR] guerrilla who admitted in a press conference here that he took part in last week's attack on two bridges in central Cambodia. The two bridges were detonated on October 15 cutting off all road traffic to the north.

The captive, 28-year-old Say Yim, said he was a first lieutenant in the Khmer Rouge's 417 division, part of a group of 50 guerrillas that he said attacked the smaller of the two bridges.

According to Say Yim's account the force split into two. Half of them placed TNT charges on the bridge along Route 21 near the border with Kompong Thom and Kompong Cham Provinces, while the other group attacked the village of Ta Prok with artillery and small arms fire.

Say Yim said he was captured by the Phnom Penh army in a village in the Baray district of Kompong Thom, adding that he had been well treated and that he made his statement voluntarily.

He was critical of the Khmer Rouge, saying they "never respect the Paris agreement...and they go on fighting. They never give access to UNTAC to enter their zones."

Khmer Rouge spokesman Mak Ben has repeatedly denied responsibility for the attack on the bridges, saying it was the work of some 500 pro-government Vietnamese troops in the area. The Khmer Rouge "say there are Vietnamese forces all over Cambodia. I never saw any Vietnamese soldiers," Say Yim said.

The attacks coincided exactly with a U.N. Security Council resolution giving the Khmer Rouge a deadline to rejoin the U.N.- brokered peace process or risk being ostracised.

U.N. military commander Lieutenent General John Sanderson has said that the attacks bear the hallmarks of the Khmer Rouge. Say Yim said he was pressed into joining the Khmer Rouge and feared for his safety if he returned to his village, "if I go back they will kill me," he said.

Phnom Penh government spokesman Khieu Kanharith said "if he (Say Yim) can't go back to his native village he can stay here."

U.N. spokesman Eric Falt however said "we are checking to see if the person is who he is supposed to be."

### NADK Terms Statement 'Farce'

*BK2410015492 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 23 Oct 92*

["Rejection by the Spokesman of the National Army of Democratic Kampuchea"; dated 22 Oct—read by announcer]

[Text] At present the local and foreign public are exposing the presence of Vietnamese forces in the form of civilians or disguised soldiers, and are exposing the Phnom Penh regime's collaboration in Vietnam's aggression and occupation in Cambodia, which constitute gross and serious violations of the 23 October 1991 Paris agreement. Against this backdrop, the Phnom Penh regime has staged a patent farce in regard to a war prisoner named Say Yim who claims to be an officer of the National Army of Democratic Kampuchea [NADK] involved in destroying the bridge on Route 6.

The NADK spokesman once again rejects this outdated maneuver of the Phnom Penh regime and its Vietnamese master, which are desperately trying to conceal Vietnamese troops disguised as puppet troops committing aggression and occupying Cambodia, and trying to divert public attention from the offensive they are launching against the national resistance forces and the Cambodian people since early October.

The local and foreign public have clearly seen that the so-called statement by Say Yim has no basis and was simply a deception because the so-called Sub-Lieutenant Say Yim does not even know the name and rank of the commander of the regiment he claims to have belonged to.

[Dated] 22 October 1992
[Signed] Spokesman of the NADK

### Alleged Witness Said Forced

*BK2510095992 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 24 Oct 92*

[Text] Vietnam's puppets recently forced a person named Say Yim to present himself to the press and tell reporters that he took part with the National Army of Democratic Kampuchea [NADK] in attacking and cutting the Svay Meas bridge on Route 6 at the Kompong Cham/Kompong Thom border. People in Svay Meas, Sampong Chey, and (Sdaeung Chey) villages along Route 6 in Cheung Prey District [Kompong Cham Province] know about this. Here is their account:

People in Svay Meas, Sampong Chey, (Sdaeung Chey), and other villages in Cheung Prey District along Route 6 say that recently Vietnam's puppet authority in Cheung Prey District took Say Yim, who is vice chairman of Svay Meas Village, to Cheung Prey District seat in Skun. He stayed there for one day and one night before being sent to Phnom Penh. Say Yim's relatives told their neighbors that Vietnam's puppet officers and the district chief in Skun ordered Say Yim, puppet vice chairman of Svay Meas Village, to go to Cheung Prey District in Skun in order to send him to Phnom Penh to be the witness and evidence [words indistinct] he recently participated in the NADK attack that cut the Svay Meas bridge on Route 6.

Some of the puppet officers and the Cheung Prey District chief ordered Say Yim to play the role of witness and evidence and to say that he took part with the NADK in attacking and destroying the Svay Meas bridge. If Say Yim refused to do this, puppet officers and the Skun District chief were going to take away from him the post of vice chairman of the village and all other things, such as the right to own land and rice fields. However, if Say Yim agreed to play this role as witness and evidence in front of reporters in Phnom Penh, Vietnam's puppet leaders and the Cheung Prey District chief would ensure that he retained his position as village vice chairman, his land, and his rice fields, and would also give him a 20,000 riel reward and two tau [unit of dry measurement equal to about 18 liters] of rice.

The scenario for the theatrical farce to have Say Yim play the role in Phnom Penh of living evidence for reporters was concocted by Pol Saroeun, puppet chief of staff in Phnom Penh, in cooperation with the UNTAC [UN Transitional Authority in Cambodia] Information Department. The farce staged by Vietnam's puppets is aimed at slandering the NADK.

However, people living along Route 6 in Cheung Prey District are all aware of this story. Say Yim, showed to reporters by Vietnam's puppets, did not play a proper role as expected by the puppet leaders because Say Yim did not know anything; he was not in any way connected to the NADK. Thus, when Vietnam's puppets presented him to reporters, Say Yim did not know what to say. When puppet officers forced Say Yim to talk, the latter did so stutteringly, partly fearing maltreatment by Vietnam's puppet leaders and partly fearing that he would be accused by people living in villages along Route 6 in Cheung Prey District, who all know the story.

This is a deceitful theatrical farce concocted by Pol Saroeun and puppet leaders in Cheung Prey District which backfired because reporters have realized that this person posing as a witness did not know anything; he talked stutteringly and could not even recite properly what he was told. People along Route 6 in Cheung Prey District are all aware of this story and have ridiculed the trick of the Vietnamese aggressors and their puppets and lackeys.

The Vietnamese aggressors are very good at lying and accusing others; they breathe lies and accusations. For instance in 1979 at the UN General Assembly, Vietnam's UN representative sent a false telegram to the United Nations saying it was from Vietnam's puppets in Phnom Penh making a protest. However, the U.S. Postal Service in Washington and New York countered that there had been no telegrams from Phnom Penh or Hanoi. The telegram delivered by Vietnam's representative to the United Nations was a false message made up by the Vietnamese representative himself.

The Vietnamese are constantly doing this sort of thing; it is their way of life.

## DK Protests UNTAC 'Violation' of Paris Pact

*BK2610044392 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 25 Oct 92*

[Text] It was reported that on the afternoon of 20 October, after the meeting of the Supreme National Council [SNC] was held on the same morning, the UNTAC [UN Transitional Authority in Cambodia] representative drafted a communique of the SNC in which the State of Cambodia [SOC]—the official name of the Phnom Penh puppet regime installed by the Yuon [Vietnamese] aggressors for serving their war of aggression in Cambodia—was mentioned.

The report said that during the discussion on this UNTAC-drafted communique, the Democratic Kampuchea [DK] representative strongly protested the UNTAC for using the Phnom Penh puppet regime's name in the SNC communique.

The DK representative pointed out that mentioning the puppet regime's name in the SNC communique or any other official documents constitutes a violation of the 23 October 1991 Paris agreement. The so-called SOC is an unlawful regime installed by the Yuon aggressors as a tool and smokescreen for carrying out their aggression and occupation of Cambodia in line with their Vietnamization policy to annex Cambodia.

The DK representative added that during the past 12 months since the signing of the Paris agreement on 23 October 1991, important, key points of the Paris agreement have not been implemented, that is:

1. The UNTAC chief has not verified the total withdrawal of all categories of Yuon aggressor forces from Cambodia.

2. The UNTAC chief and Yuon aggressors have refused to let the SNC play its role as a legitimate organization and sole source of power.

This means that on the one hand, the UNTAC chief has not verified the withdrawal of Yuon aggressor forces from Cambodia and has refused to let the SNC play any role. On the other hand, the UNTAC chief has sought aid for the Yuon puppet regime and is now forcing the SNC to recognize this Yuon aggressors' puppet regime through this official document of the SNC.

According to the report, this discussion proceeded from 1700 to 2100 on 20 October and continued the whole morning of 21 October.

Despite such a strong protest by a DK representative, finally, UNTAC Chief Akashi arbitrarily decided to put this word SOC—name of puppet regime installed by Yuon aggressors—in the official document of the SNC.

This is a gross violation of the 23 October 1991 Paris agreement. The people in general have thus seen the evil face of the bad elements. They regard these bad elements as the ones who must be responsible for all consequences.

### Sihanouk: UN Resolution 'May Be' Way for Peace

*OW2710144292 Tokyo KYODO in English 1422 GMT 27 Oct 92*

[Text] Phnom Penh, Oct. 27 KYODO—The head of Cambodia's interim Supreme National Council Prince Norodom Sihanouk said Tuesday a United Nations Security Council resolution ultimately may be needed to implement the stalled Paris Peace Accords.

Meeting with Japanese Defense Agency Chief Sohei Miyashita, Sihanouk stressed that the impasse with the Khmer Rouge over the disarming and demobilization phase of the peace process must not obstruct the whole process.

"I think personally that ultimately a U.N. Security Council resolution may be the only way to realize (peace in Cambodia)," said Sihanouk.

Sihanouk also indicated that the U.N. should consider additional measures, including the use of military force, in the event the Khmer Rouge refuses to comply with the second phase of the 1991 accords signed in Paris by the four warring Cambodian factions.

He further stressed the need for a coordinated stance by the SNC and the U.N. Transitional Authority (UNTAC) in Cambodia, headed by Yasushi Akashi, who has indicated he would take a firm position in the next round of talks with the Khmer Rouge.

The Khmer Rouge has maintained that members of the Vietnamese military have remained in Cambodia posing as ordinary citizens and have vowed to disarm only when they have completely withdrawn.

"As far as we can verify, there are no Vietnamese military (in Cambodia)," said Sihanouk, adding that "if they insist that Vietnamese soldiers are posing as civilians, then we will have to chase out all 2 million Vietnamese (who live in Cambodia)."

The Cambodian leader also hailed the dispatch of Japanese troops to take part in U.N. peacekeeping operations here, saying he supported it "completely."

### Sihanouk Comments on Japanese Peacekeepers

*BK2710125892 Hong Kong AFP in English 0803 GMT 27 Oct 92*

[By Andrew Sherry]

[Text] Phnom Penh, Oct 27 (AFP)—Prince Sihanouk praised Japan's decision to contribute troops to the U.N. peacekeeping force in Cambodia, saying Tuesday that the two countries have historically "never had any problem."

The Cambodian head of state was meeting with Japanese Defense Agency director General Sohei Miyashita, who is in Cambodia to inspect the first Japanese troops sent abroad since World War II.

"In our history we have never had any problem between Japan—your great country—and my country," Prince Sihanouk said, glossing over the 1941-45 Japanese occupation of Cambodia.

"I support fully your decision to send your valiant troops here to help us to safeguard peace, strengthen peace, to pursue reconstruction, and to rehabilitate our people," he said.

Tokyo's decision to contribute about 600 military engineers and eight military observers to the United Nations Transitional Authority in Cambodia (UNTAC) was hotly contested in Japan, with opponents arguing that the dispatch of troops abroad violated Japan's pacifist post-war Constitution.

But the Japanese peacekeepers have been well received in Cambodia, where many older residents remember Japanese occupation troops as no worse than the French colonial authorities who continued to administer Cambodia during the war.

Miyashita replied that he hoped the UNTAC mission would be the first of a number of similar peacekeeping assignments for Japan's Self-Defense Forces.

Japan has made Cambodia a centerpiece of its effort to increase its international political contribution in line with its economic status.

Miyashita, who arrived Monday on a three-day visit, had talks earlier Tuesday with the head of UNTAC, Yasushi Akashi of Japan, and UNTAC military commander General John Sanderson of Australia. He was to spend the night with the engineering batallion, which is rebuilding roads and bridges in Takeo Province, south of Phnom Penh, before visiting Japanese observers posted near the Vietnamese border, Japanese officials said.

Japan and Thailand are mounting a last-ditch effort to persuade the Khmer Rouge—Cambodia's largest guerrilla faction—to abide by the terms of the peace treaty signed one year ago. The U.N. Security Council has given the Marxist faction until November 15 to start cooperating with UNTAC or risk being left out of nationwide elections firmly scheduled for May.

A Phnom Penh government spokesman said Tuesday that Khmer Rouge cease-fire violations had left 54 government soldiers and 78 civilians dead since the peace treaty. An additional 155 soldiers and 180 civilians were wounded, he said.

Khmer Rouge guerrillas have been fighting the Phnom Penh government since 1979 when it was installed by invading Vietnamese troops.

The Khmer Rouge, whose general rule over Cambodia was ended by the invasion, justifies its refusal to obey the peace agreement and disarm by claiming that Vietnamese troops remain in the country.

### Heng Samrin Chairs State Council Party Meeting

*BK2010063892 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 20 Oct 92*

[Text] On the morning of 19 October, the party committee of the State of Cambodia's Council of State office held its congress with the participation of 44 party members from the three branches of the State Council office. This meeting was chaired by His Excellency [H.E.] Heng Samrin, honorary chairman of the Cambodian People's Party Central Committee and chairman of the State Council.

For the whole morning, the meeting listened to, discussed, and adopted the report on the implementation of all political programs, principles, circulars, party decisions, and state laws, and on directions for the future. It also listened to the report on the leadership of the State Council office's party committee over the past period. The meeting also elected a seven-member committee for a new mandate with Chan Ven as chairman of the office party committee and Nhem Ren as vice chairman.

Speaking on this occasion, H.E. Heng Samrin talked about the current situation in Cambodia, particularly the implementation of the Paris peace agreement. He called on the State Council office's new party committee to continue to pay attention to providing efficient leadership in implementing the tasks assigned by the party meeting, and in particular to continue to make efforts in fighting various negative phenomena. This is in order to score new and greater victories and contribute to the search for peace and national reconciliation in Cambodia.

### Loan Accord Signed With Asian Development Bank

*BK2310072692 Phnom Penh Samleng Pracheachon Kampuchea Radio Network in Cambodian 0430 GMT 23 Oct 92*

[Text] His Excellency [H.E.] Troeung Meali from the cabinet of His Royal Highness Prince Norodom Sihanouk and Mr. (Beaugens), representative of the Asian Development Bank [ADB], signed an agreement on a loan granted by the ADB to the SNC [Supreme National Council] for the rehabilitation of Cambodia at the SNC secretariat on the evening of 21 October. Also present at the ceremony were Mr. (Sukanot), the ADB representative in Cambodia, as well as other representatives.

According to the agreement, Cambodia will borrow $67.7 million from the ADB for Cambodia's rehabilitation and reconstruction in four sectors, including communications, agriculture and irrigation, training and education, and electric power. Of the entire amount, the ADB is giving a grant of over $6 million.

### PDK Opposes ADB Loans to Phnom Penh

*BK2310140192 (Clandestine) Voice of the Great National Union Front of Cambodia in Cambodian 2330 GMT 22 Oct 92*

[Text] Mr. Mak Ben, envoy of the Party of Democratic Kampuchea [PDK], met at the office of the Secretariat of the Supreme National Council [SNC] on the afternoon of 19 October with representatives of the Asian Development Bank [ADB] to discuss the loans being sought by Cambodia from this bank.

Mr. Mak Ben said: Concerning the question of international aid and loans to Cambodia, our PDK has already made its position well known on several occasions through the letters of His Excellency Khieu Samphan, chairman of the PDK and member of the SNC, to the UN secretary-general and his special envoy to Cambodia, and also in Khieu Samphan's statements at several SNC meetings.

Today I would like to emphasize that the PDK continues to maintain the same position, which is:

1. That the PDK has welcomed and continues to welcome any aid for the restoration of roads, bridges, dams, and railways and development of the countryside, as well as aid for the transport and construction of living quarters for Cambodian refugees and education and vocational training.

2. That the PDK has categorically opposed and continues to oppose all aid aimed at supporting the budget and accounts of the yuon [derogatory term for Vietnamese]-installed Phnom Penh regime. Such aid does not conform with the 23 October 1991 Paris agreement.

3. That concerning the credit granted by the ADB and other financial institutions, the PDK is of the opinion that this should be proceeded only when the SNC truly functions as the sole legitimate organization and source of authority in Cambodia. I would like to note with utter regret the fact that the SNC continues to be denied all kinds of authority and means. Instead, the SNC has been used to borrow money from various international institutions. Everybody knows that all those loans are for no other purpose than serving the interests of the yuon-installed Phnom Penh regime under the control of the yuon aggressor forces. This certainly runs counter to the letter and spirit of the Paris agreement.

At a time when the yuon aggressor forces are conducting their activities in Cambodia by concealing themselves within the military and administrative structures of the Phnom Penh regime, international aid in the forms of budget or hard currency, loans or grants in fact constitute backing for the yuon aggressor regime and support for the fast depreciating riel currency, which has been used and is being used by the yuon aggressor forces and the Phnom Penh faction to occupy Cambodia. This is a gross violation of the Paris agreement and runs counter to the goal of the Paris agreement and the profound aspiration of the Cambodian people, whose wish is to have peace and national independence.

### Returned Refugee Arrested for Drug Trafficking

*BK1810120392 Hong Kong AFP in English 0936 GMT 18 Oct 92*

[Text] Phnom Penh, Oct 18 (AFP)—A Cambodian who recently returned home from a refugee camp on the Thai border was arrested for trafficking heroin from Thailand, Phnom Penh's police newspaper reported Sunday.

Danh Narith, 32, and six alleged accomplices were arrested as they prepared to sell the 3.25 grams (0.11 ounce) of white powder in Phnom Penh, the paper said.

It was one of the first heroin busts reported in Phnom Penh, where up to now only the unrefined version of the drug, opium, has been available.

The paper said that after being repatriated from the [name indistinct] refugee camp to Pursat Province by the United Nations High Commissioner for Refugees, Danh Narith returned to the border where a Thai friend handed over the heroin.

Danh Narith was a former officer in one of the non-communist guerrilla factions that fought the Phnom Penh government until a peace treaty was signed one year ago, the paper said.

### Oil Supply Agreement Signed With Malaysian Firm

*BK1610073292 Phnom Penh SPK in French 0400 GMT 16 Oct 92*

[Text] Phnom Penh 16 Oct (SPK)—An agreement on cooperation between the Cambodian Ministry of Trade and the Petmal Oil Company of Malaysia concerning the supply of gas and lubricant oil to the UN Transitional Authority in Cambodia was recently signed in Kuala Lumpur.

The agreement was concluded in the wake of a recent visit to Malaysia by Cambodian Trade Minister Nhim Vanda.

According to the agreement, the Petmal Oil company will supply Cambodia with modern equipment for controlling the quality of gas and assisting the country in the training of cadres in the field.

The Cambodian Trade Ministry source says the Cambodian Oil Company and the Petmal Oil Company will discuss setting up a joint venture in oil exploration in Sihanoukville.

## Indonesia

### Official Discloses Approved Investment Figures

*BK2710103692 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 26 Oct 92*

[Text] Since the beginning of the Fifth Repelita [Five-Year Development Plan], the government has approved domestic and foreign investments worth 193 trillion rupiah. The amount has surpassed the investment target of 131.5 trillion rupiah for the Fifth Repelita. These figures were disclosed by Subiyanto, chief of the Development and Control Division of the Capital Investment Coordinating Agency, when he opened a counselling forum on domestic and foreign investment projects in Yogyakarta today.

He noted that the government needs an investment of 239.1 trillion rupiah for a five-year period if it wants to achieve a five-percent growth rate annually. The said amount can be achieved by 45-percent state investment or 107.6 trillion rupiah and 55-percent private investment or 131.5 trillion rupiah.

### Minister Comments on High Debt Service Ratio

*BK2710112892 Jakarta ANTARA in English 1050 GMT 27 Oct 92*

[Text] Jakarta, Oct 27 (OANA/ANTARA)—Coordinating Minister for Economic, Financial, and Industrial Affairs Radius Prawiro asked the public Tuesday not be stunned by the country's debt service ratio [DSR] though he admitted that the 32-33 percent figure was concerning.

We certainly have to feel concerned over the DSR figures and to deal with it, we must slow down the flow of overseas loans, he said after meeting the head of state.

Leading economist Professor Sumitro raised the DSR issue recently and suggested that the government increased its control over the flow of foreign loans especially those made by the private sector.

"We, indeed, have to always push lower the DSR and should not be stunned by the figure," Radius said.

Asked whether Sumitro's statement was a danger sign, Radius said while laughing, "up to you which color you wish to choose." He (Sumitro) is my teacher.

Sumitro said recently the country's debts have reached 78 billion U.S. dollars with 33 of them belonging to the private sector.

To prevent the debt from swelling further, Radius said that the government continuously controlled the flow of foreign loans made either by the government or the private sector.

He suggested that the country's businessmen should not accept foreign loan offers voluntarily.

In order to reduce the DSR, Radius also called for further boosting of the country's non-oil exports besides reducing the bank lending rates at home and increasing domestic saving.

Radius Prawiro called on the president to report the implementation of government development projects and the use of domestic products in the projects.

### Official Views Impact of Investment Drop

*BK2710114892 Jakarta ANTARA in English 1011 GMT 27 Oct 92*

[Text] Batam, Oct 27 (ANEX/ANTARA)—The drop in value in both domestic and foreign investments in Indonesia in 1992 creates a challenge to the development of Batam, Rempang, and Galang (Barelang), said the head of the Batam Authority Executive Unit, Supandi, here on Monday,

A supporting climate is needed to attract investors, he said in an address to the commemoration of the Batam Authority's 21st anniversary.

Quoting newspaper reports, Supandi said the drop in investment value was among other things caused by the current sharp competition among developing countries in attracting investments in the rapidly changing world.

Overseas investors now enjoy a windward position with the availability of fertile investment soil in China and the East European countries which have not only cheap but also quality laborers besides technological knowhow, he said.

Foreign investment on Batam Island up to June 1992 reached U.S. $890 million and about U.S. $666 million in domestic investments, he said.

Supandi said that the success of development in Batam and its job opportunities that follow also in its surrounding areas of Rempang and Galang would extend the dimension of growth in the future to include not only physical and land distribution but also non-physical development.

He said that an attractive business climate should be created to make both domestic and foreign investors capable to grow healthily [as received] in the region.

In this connection, he suggested further scaling up and completing the infrastructure on the Batam Island and drawing up of infrastructure on Rempang and Galang Islands.

He appealed to his men to show their dedication to their work and vigilance against being trapped into bureaucratic conceitedness and authority abuses.

### 10 Arrested Prior to Anniversary of Dili Massacre

*BK2710043692 Hong Kong AFP in English 0418 GMT 27 Oct 92*

[Text] Jakarta, Oct 27 (AFP)—Authorities in Dili, East Timor, have arrested 10 suspected supporters of the Fretilin independence movement in a sweep ahead of the first anniversary of the massacre there, a news report said here Tuesday.

The 10 were among some 1,000 people who were caught without proper identification papers during an intensive identity check campaign that has been under way throughout East Timor since last Monday, the JAKARTA POST daily said.

The daily quoted East Timor Military Operational Commander Theo Syafei as saying that the 10 suspects were planning a demonstration for Wednesday, the first anniversary of a fatal clash that led to the November 12 Dili massacre.

Fretilin representatives in Darwin, Australia, have said that the Indonesian military arrested more than 100 East Timorese before a planned visit to the territory by Australian MPs this month that was later called off.

Brigadier General Syafei said the rest of those arrested without identification were released after being briefly detained.

Village officials in East Timor, including in the capital Dili, accompanied by security members have been making nightly door-to-door visits to check residents' identity cards since last week.

Indonesian authorities have said that about 200 members of the Fretilin, which has been fighting for an independent East Timor ever since Indonesian troops invaded the former Portuguese colony in 1975, were still hiding in the jungles.

Jakarta declared East Timor its 27th province in 1976 but the United Nations continues to regard Lisbon as the administrator of the area.

On October 28, 1991, a clash between pro- and anti-Indonesia youth groups at a church compound in Dili left two dead, one from each camp.

Indonesian troopss on November 12 shot into a crowd of demonstrators at a cemetery in Dili during a memorial mass marking the death of the pro-independence victim, Sebastiao Rangel Gomez.

Jakarta said about 50 people were killed and at least 90 remained missing, while eyewitnesses said the death toll could have topped 115.

### Suharto Opens Nuclear Medical Technology Congress

*BK2610131492 Jakarta ANTARA in English 0947 GMT 26 Oct 92*

[Text] Jakarta, Oct 26 (OANA/ANTARA)—President Suharto called on the people here on Monday not to be worried about the use of radioactive materials in the medical field as it has a high safety level.

The nuclear medical technology is very useful and has a high safety level, the president said when opening the fifth Asian-Oceanian nuclear medical and biology congress at the Istana Negara [State Palace].

At the opening of the six-day congress which was attended by Mrs. Tien Suharto, interim Minister of Health Fuad Hassan, and 300 participants, the head of state said that pioneers of nuclear medical world have been able to control and design radioactive for useful purposes.

The Indonesian people do not need to be worried by the use of radioactive because almost all countries in the world have been using it in the medical field, he said adding that it even is used to diagnose and to cure a disease.

Indonesia has started drawing a plan on the implementation of nuclear medical programs since 1968, President Suharto said.

Since then, the science and technology have been developing encouragingly, particularly in research, education, and the small scale isotope production which is aimed for agricultural, irrigation and medical purposes, he said.

When referring to the raw material for nuclear medication, the president said that the health sector needs a large amount of this materials which are of high quality.

Indonesia has since the 1980's been able to develop a production technology for medical care services. Today, Indonesia has eight hospitals which [have] nuclear medical units, the head of state said.

He said that Indonesia is able to meet its need for isotopes and even it plans to export this materials.

## Laos

### Paper Affirms People's Adherence to LPRP

*BK2610125792 Vientiane PASASON in Lao 15 Oct 92 p 3*

[Article: "Can We Survive With Only One Party in Light of the Current International Change?"]

[Text] Some people say that most of our neighboring countries have many political parties while our country has only one. So, can we survive in this situation? What is your opinion on this issue?

In our view, having many political parties is the internal affair of those countries. We will not get involved with their affairs, for such an act is construed as an act of interference in the internal affairs of other countries. No one but the people in those countries understands the situation in their countries better. The imitation of a model set up by another country without taking into consideration the special characteristics of one own's country and the aspirations of its people is not a trend any longer. We must be the masters of our own destiny.

The crux of the issue is that the more parties a country has, the more social crises it is bound to encounter. Are we going to invite such crises into our country to undermine the prevailing tranquillity here now? Of course, we absolutely cannot allow such a situation to occur here. Therefore, we will continue to adhere to the leadership of only one party—the Lao People's Revolutionary Party [LPRP]. The reason we are firmly adhering to the leadership of the LPRP is because this party always fights for the interests of our country and people. As a result, our multiethnic people always render support to this party. The party also has the capability to effectively lead and rule the country. Such capabilities have already been proven during the period of national liberation and revolutionary struggle as well as the period of national construction. Presently, the party is trying to carry out self- consolidation in all respects in order to meet the needs of the revolution in the new period.

We can say that by having only the LPRP as the sole party to lead, our country will be able not only to survive but also to continue developing. The reality of the past 17 years (from 1975 to 1992) has clearly testified to this fact. We must not fall for the propaganda campaigns of some ill-intentioned elements who want to mislead us into deviating from our correct path.

Some people say that because Laos depended on the Soviet Union in the past, it was able to liberate itself from foreign control and to survive. Since the Soviet Union has already disintegrated, the question is: Can Laos survive now or should it switch to follow another path?

It was true that in the past many countries, including Laos, received assistance from the Soviet Union. Such assistance constituted an important factor contributing to the common victory of our country. Our party, state, and people will always remain grateful to such contributions.

Nonetheless, no matter how important that assistance might be regarded, it could not become a decisive factor in determining victory for our Lao people. The absolute victory has been attained by our people thanks to our own capabilities. Henceforth, we will always depend on our own capabilities in defending and building our country under the popular democratic regime. No matter how much the world situation may change, we will never alter the path of our country.

It is deplorable that the Soviet Union has now become bankrupt. The disintegration of the Soviet Union has caused considerable adverse effects on our country. Nonetheless, such a catastrophe will never be able to change the cause of our country. There is no country in the world that will use the destiny of another country to determine its own. While the Soviet Union has become bankrupt, some other socialist countries, namely the PRC, the SRV, the DPRK, and Cuba, are growing even stronger and more powerful.

While the world situation is changing in a complicated fashion, the forces hostile toward our country are also employing all kinds of psychological tactics aimed at misleading us into deviating from our path. Therfore, we must maintain a high sense of vigilance and remain firm in implementing the restructuring policy of our party and state to further consolidate and develop the popular democratic regime which is the only correct path for our country.

## Preparations for Provincial Elections Reported

*BK2710115992 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 27 Oct 92*

[Text] The second stage of political campaigns has been continuously carried out throughout the country in preparing for the election of the Third National Assembly, which is scheduled to be held in the near future. In the campaigns, election preparatory committees have been organized to publicize the various documents on the election in order to create favorable conditions for the election to be held fruitfully in each and every locality.

In preparation for the election in Luang Prabang Province, administrations at each level have organized lectures on contents of the documents, including the resolution of the Political Bureau of the Party Central Committee on the election, the law on the election, and documents on qualifications and criteria of candidates who stand for election. The publicizing of the documents has been mainly carried out among cadres, soldiers, police, youths, intellectuals, and multiethnic people in their respective provinces.

According to the statistics collected, in Luang Prabang Province there are altogether 141,314 eligible voters out of the total 329,165 citizens from 1,202 villages. The provincial administration has also finished setting up polling stations. There are altogether 630 polling stations with a total of 6,593 cadres organized to serve the election. So far, some 106,297 people have taken part in the political campaigns in preparation for the election.

In Attopeu Province, publicizing of the documents in preparation for election of the Third National Assembly has also been carried out in the second stage. The population census to compile the figures of eligible voters has also been completed throughout the province. According to an authority in charge of making preparations for the provincial election, there are altogether 81,245 citizens, including 43,067 women. Out of the total 81,245 citizens, there are 40,578 eligible voters, representing 49.94 percent of the total population. The total of some 28,900 people, including 14,806 women, have so far taken part in the political campaigns. This represents 71.22 percent of the eligible voters in the province.

## Ministry Issues Guidelines on Rice Production

*BK2510143792 Vientiane Vitthayou Hengsat Radio Network in Lao 0500 GMT 16 Oct 92*

[Instructions issued 14 October by the Ministry of Agriculture and Forestry to chiefs of agricultural and forestry services of all provinces and Vientiane Municipality concerning the harvest of main-season rice and preparations to carry out dry-season rice planting for the 1992-93 dry season]

[Text] Since early 1992, agricultural production in our country in general has been developing favorably. The planting of dry-season rice and other crops has increased compared to the previous year. The main-season rice production in the plains in the central and southern regions appears to be more productive than in many previous years. Even though some localities in the northern provinces have been affected by drought and crop pests, thus causing difficulties to the production and living conditions of the multiethnic people there to a certain extent, it is predicted that the rice harvest this year will be quite productive if the climate remains consistent from now to the end of the season.

To make the main-season rice production this year a victorious event, thereby creating favorable conditions for production in the years to come, the Ministry of Agriculture and Forestry has issued an instruction to all provinces and Vientiane Municipality to appreciate, firmly grasp, and organize implementation of the following measures and methods:

With regard to 1992 main-season rice production, all provinces and Vientiane Municipality must encourage people to organize an effective harvest of upland and early lowland rice crops, as well as other crops, by avoiding causing any damage to them and continuing to repair ricefield dikes to ensure that middle and late rice crops are sufficiently irrigated while bearing rice ears. After that, preparations must be made to carry out the harvest with a view to making it more productive than in previous years. If rainwater is inadequate for a prolonged period of time in ricefields where late rice crops are planted, rice seeds will become infertile and fluffy. Therefore, all efforts must be made to sufficiently irrigate such strains of rice and detect an epidemics of crops pests, such as insects and caterpillars, so they can be checked and eradicated in time.

As for the 1992-93 dry-season rice planting, the instruction says: To create conditions under which the rice production targets of 1.7 million metric tons of paddy in 1993 can be met and, in particular, to compensate for any damage caused to rice crops in some areas in our country, the provinces with favorable conditions and

Vientiane Municipality must henceforth pay attention to making preparations to carry out the 1992-93 dry-season production as follows:

Areas with the availability of irrigation facilities for planting dry-season rice, corn, tobacco, beans of various kinds, and vegetables for marketing must be set aside. The Ministry of Agriculture and Forestry has set up targets to be fulfilled by each province and Vientiane Municipality this year as follows:

Vientiane Municipality—8,000 hectares, with each hectare producing 3,900 kgs of paddy;

Phong Saly—50 hectares, with each hectare producing 2,400 kgs of paddy;

Luang Namtha—80 hectares, with each hectare producing 3,000 kgs of paddy;

Oudomsai—190 hectares, with each hectare producing 3,000 kgs of paddy;

Luang Prabang—1,400 hectares, with each hectare producing 3,620 kgs of paddy;

Houa Phan—400 hectares, with each hectare producing 2,500 kgs of paddy;

Sayaboury—800 hectares, with each hectare producing 2,500 kgs of paddy;

Vientiane—1,500 hectares, with each hectare producing 3,430 kgs of paddy;

Bolikhamsai—60 hectares, with each hectare producing 2,500 kgs of paddy;

Khammouane—2,000 hectares, with each hectare producing 4,500 kgs of paddy;

Savannakhet—2,400 hectares, with each hectare producing 3,290 kgs of paddy;

Saravane—456 hectares, with each hectare producing 3,460 kgs of paddy;

Sekong—10 hectares, with each hectare producing 2,540 kgs of paddy;

Champassak—650 hectares, with each hectare producing 3,600 kgs of paddy;

Attopeu—30 hectares, with each hectare producing 3,330 kgs of paddy;

Sianghon-Hongsa area—740 hectares, with each hectare producing 3,060 kgs of paddy.

All in all, throughout the country this year a total acreage of 18,796 hectares of land will be utilized for growing dry-season rice crops, with each hectare producing an average of 3,640 kgs of paddy. The overall production output is approximately 68,805 metric tons.

To fulfill these production targets, the Ministry of Agriculture and Forestry has advised all localities to conduct survey and inspection of their respective irrigation facilities and to repair water pumps, irrigation canals, dikes, weirs, and other damaged canal facilities to be in working order; and to effectively manage and control the consumption of irrigation water by all enterprises so as to ensure the efficiency of this year's dry-season production and meet production targets. If an irrigation enterprise in a certain locality is unable to acquire sufficient water for dry-season rice planting, efforts must be made to switch to growing other crops that are traditional cash crops of the local people and are marketable.

Owners of tractors in each locality must be encouraged to promote and participate in carrying out dry-season rice production by charging lower and reasonable rates in preparing soil for production. Surveys must be conducted in each locality to determine whether or not there is enough supply of rice strains and other seeds for planting this season in accordance with the production plan. Those farmers who still fall short of such seeds should be advised to contact other localities for assistance. People must be mobilized to collect organic fertilizer and manure for making fertilizer. Chemical fertilizer must also be prepared for use in certain localities where conditions permit so as to improve soil quality and nourish dry-season rice plants and other crops.

Training courses on technical know-how concerning intensive cultivation of rice and other crops must be arranged with budgets already allocated by the Ministry of Agriculture and Forestry for farmers in each province and Vientiane Municipality. Coordination must be made with the Lao-(?Australian) Rice Production Project in creating model farming families that carry out intensive agriculture and dry-season rice planting and in conducting experiments to find new rice strains and new production techniques that are suitable to the climatic conditions in each locality. Agricultural cadres should be sent to give advice to people in areas where favorable conditions prevail to begin planting rice seedlings for dry-season rice planting from now to the end of November.

Farmers must be urged to complete planting of dry-season rice crops before the end of December at the latest so as to prevent destruction by yellow aphids, which occurs at the end of the planting season, and to avoid damage to the harvest, which may be carried out in the early rainy season.

Upon receiving this instruction, the chiefs of agricultural services of all provinces and Vientiane Municipality must act as coordinators for all services and departments concerned in implementing it. All favorable and difficult conditions must be regularly reported to the Ministry of Agriculture and Forestry.

## Philippines

### Amante Terms U.S. Pullout 'Blessing in Disguise'

*HK2610114292 Manila THE CHRONICLE in English 26 Oct 92 pp 1, 8*

[Report by Fermin Diaz]

[Text] Butuan City—The Ramos government considers the pullout of American troops from Subic Naval Base as a blessing in disguise that would eventually bring more benefits than disadvantages to the country.

"The pullout is a blessing in disguise," said Executive Secretary Edelmiro Amante, adding that he was echoing President Ramos' views on the matter.

The administration's new optimism was in sharp contrast to the sense of insecurity felt by the past administration after the Senate rejected on September 1991 a new treaty extending U.S. military presence in the Philippines for another seven to 10 years.

Amante, who visited this southern city on Friday two days after he was confirmed by the Commission on Appointments, said the President believed that the government would be able to create more jobs with the Americans moving elsewhere than if they were allowed to stay here longer.

"In two years' time, there would be 200,000 job opportunities... in five years, it could reach 1.6 million. But with the Americans, there could only be 40,000 the low side and 50,000 on the high side," Amante said.

He explained that the 50,000 jobs held by Filipinos at Subic had no way to go but down because of the U.S. Congress' decision to cut worldwide military spending, partly to trim the trillion-dollar deficit of the U.S. government.

Amante said the government was pinning more hopes on the estimate of a group of Taiwanese investors who recently visited the huge naval installation and who said projects they intend to set up there could generate more jobs than what the Americans could offer.

In recent months, both local and foreign investors had signified plans to put up business in the area after the Philippine government disclosed its vision to make the Subic free port zone a self-sustaining industrial, commercial, financial and tourism center.

The Taiwanese were particularly interested in putting up light and medium industries, such as electronics manufacturing, among others, in a 300-hectare portion of the base, Amante said.

Singapore's Keppel group, a large shipping outfit, wanted to establish a ship-repair facility, he added.

### Ramos Rejects Plan To Disband Police, Militia

*HK2710032992 Manila DWIZ Voice of the Filipino People's Radio in Tagalog 2200 GMT 26 Oct 92*

[Text] President Fidel Ramos has rejected proposals to disband the Citizen's Armed Forces Geographical Unit [CAFGU] and the Philippine National Police [PNP]. The president said that these agencies were created by law and that instead of being abolished they should be improved. He also said that there is still a number of enlistees willing to enter the PNP and considering the amount of government money already poured into both the PNP and CAFGU there is no reason to disband these agencies.

### Ramos Concerned Over Closer Sino-Japanese Ties

*HK2710031692 Quezon City MALAYA in English 27 Oct 92 p 2*

[Report by Ellen Tordesillas]

[Text] President Ramos expressed concern yesterday over the establishment of closer relations between Japan and China which may result in decreased Japanese aid to other Asian countries, particularly the Philippines.

"Because of the growing rapport between China and Japan, highlighted by the visit of the Japanese Emperor to the People's Republic of China, I just hope that this will not result in the diminishing of the interests of Japan in the economic development of the rest of Asia because necessarily this will mean a sharing of resources," the President said in his weekly press conference.

The President noted that Japan is the country's biggest donor of official development assistance.

"I hope the ODA [Official Development Assistance] will not diminish at this point when we are trying to recover economic growth," he said.

Japanese Emperor Akihito is currently visiting China, the first visit of a member of the Japanese Imperial family since World War II, when China was occupied by Japan.

Ramos said he did not see any military alliance out of closer Japan-China relations.

In a speech before the 24th Asean Economic Ministers meeting, Ramos urged a closer monitoring and analyzing of the growing rapport between Japan and China and between China and Taiwan.

"In both situations, economic pragmatism, not political factors, appears to be the leading consideration," he said.

The President said stability and security will be enhanced with the improvement in the economic situation of all nations in the Asia and Pacific region.

## NDF Warns on Possible Rejection of Peace Talks

*HK2610114192 Manila PHILIPPINE DAILY INQUIRER in English 26 Oct 92 pp 1, 8*

[Report by Juliet M. Labog]

[Text] The National Democratic Front [NDF] took the risk of sending "the wrong signal" to its forces and the people when it decided to entertain the government's peace overtures, the Communist Party of the Philippines [CPP] said.

The CPP said it was participating in the current peace process "to prevent the enemy from misrepresenting himself as the champion of peace."

At the same time, the CPP warned it will call off peace negotiations with the government if the National Unification Commission [NUC] "negates or disregards" a joint declaration signed by government emissaries and NDF leaders in the Netherlands last month, and initiates localized peace talks with "lower levels of the leadership."

The joint declaration called for formal peace talks between the government and the NDF, but the latter has insisted on a foreign venue and the presence of a "third-party mediator."

"Every time it talks with the enemy, the NDF takes serious risks such as sending the wrong signal to the revolutionary forces and the people and feeding the illusion that the enemy is tractable and that the enemy is tractable and that there is likelihood of arriving at a just and lasting peace with him," CPP Central Committee Chairman Armando Liwanag wrote in a document titled "Position of the CPP regarding the GRP (government of the Philippines)-NDF joint declaration."

"But standing firmly by its basic principles and applying flexibility in policy, the NDF can sometimes take the risks involved in talking with the enemy because there is need to propagate the program of national democratic revolution and to prevent the enemy from representing himself as a champion of peace," he said.

Liwanag, believed to be a nom de guerre of CPP founder Jose Ma. Sison, now living in exile in the Netherlands, said that since the NDF took this risk of confusing its forces, the government should take the risk of allowing it to achieve a status of belligerency.

Such a status would put the NDF on an equal footing with the government.

Liwanag also believed the government's attempt to show its sincerity when it undertook "confidence-building measures," like the release of prominent leftist and rightist leaders, the repeal of Republic Act 1700 (Anti-Subversion Law) which outlawed the CPP, the grant of amnesty to 4,000 rebels, and a general amnesty program to be drafted by the NUC.

These steps, he said, are not satisfactory since "brutal conditions persist."

"There is no reason for the revolutionary forces and the people to cease their armed resistance," Liwanag said. "The attainment of a just and lasting peace does not depend on peace negotiations with the enemy but on the revolutionary struggle of the people... The peace pretenses of the (United States)-Ramos regime are futile."

## Islamic Group Urges Immediate Talks With MNLF

*HK2710032692 Manila PHILIPPINE DAILY INQUIRER in English 27 Oct 92 p 8*

[Text] Jeddah, Saudi Arabia—The Organization of Islamic Conference [ICO] yesterday called for an immediate peaceful solution to the conflict between Manila and rebels fighting for Muslim self-rule in Mindanao.

A statement issued by the OIC [ICO] secretary-general, Hamid al-Gabid, called for an early start to peace talks between the President Ramos and Nur Misuari, chairman of the Moro National Liberation Front [MNLF].

"The Organization welcomes the declarations made by President Ramos in which he expressed keen interest in an early start to peace talks with the MNLF and his intention to take prompt measures to enhance the momentum of the peace efforts under way," al-Gabid said.

He made the statement after meeting with Misuari who briefed the OIC chief on exploratory talks he held in Tripoli earlier this month with a Philippine delegation.

The 47-member OIC, based in Jeddah, serves as a socio-political umbrella group for the world's estimated one billion Muslims. The organization supervised the 1976 Tripoli Agreement stipulating Muslim self-rule in 13 cities and provinces in Southwestern Mindanao.

"The Secretary-General also welcomes the readiness displayed by Misuari to enter into talks with the Philippine government," the statement said.

Misuari, who spends much of his time in Libya as well as in Jeddah, told AP on Saturday that he was prepared to go to Manila for talks with Mr. Ramos if this would add impetus to the peace talks.

In Manila, meanwhile, Mr. Ramos lauded Misuari's decision to return to the country soon.

"Well, I'm happy that he (Misuari) has reversed his position," the President told a news conference in Malacanang.

Misuari earlier demanded that the talks be held in a neutral country with the framework of the 1976 Tripoli Agreement and under the auspices of the OIC.

But Rep. Nur Jaafar of Tawi-Tawi said Misuari had told him that he will only agree if one phase of the talks will be held in Manila and the other abroad.

He said Misuari will not sit in the MNLF panel during formal talks.

Jaafar said he had a "long talk" with Misuari last Friday. Earlier he and Rep. Eduardo Ermita held exploratory talks with Misuari in Tripoli, Libya.

He said Misuari told him that he will only come home "at an apropriate time" and when "proper arrangements" to guarantee his security have been firmed up.

## Thailand

### Prime Minister Delivers Policy Statement 21 Oct

*BK2110085392 Bangkok Radio Thailand Network in Thai 0245 GMT 21 Oct 92*

[Government policy statement presented by Prime Minister Chuan Likphai to the joint parliamentary session on 21 October—live]

[Text] Respected Mr. President of the National Assembly:

I, Chuan Likphai, member of the House of Representatives from Trang Province and prime minister, with reference to the royal command dated 23 September 1992 appointing me prime minister and the royal command dated 29 September 1992 on the formation of the cabinet; the cabinet has now completed the policy statement and I wish to present it to the National Assembly:

#### 1. The Political and Bureaucratic Administrative Policy

The government is determined to uphold and defend the institutions of the nation, religion, monarch, and the democratic form of administration with the king as head of state. The government will develop all political institutions so that they are firm, strong, and ready to fulfill their tasks in defending the people's interests and well-being. The government will encourage the people to participate in politics from the local to the national levels through the following means:

(1.1) Support the amendment of the Constitution of the Kingdom of Thailand to achieve greater democracy.

(1.2) Support the parliamentary activities which will enable members of the parliament to carry on their duties effectively.

(1.3) Revise the Political Party Act to enable political parties to receive support from the state and private sectors and allow them to play greater roles in the development of politics.

(1.4) Revise the Election Law and other relevant legislation to ensure that the election of members of the House of Representatives and elections at other levels will be carried out in a clean and fair manner, and support the establishment of independent election monitoring organizations.

(1.5) Revise the National Auditing Act to enable the National Assembly to play a more active role in auditing national revenue and expenditure.

(1.6) Promote educational institutions at all levels and state and private mass media to implant knowledge, understanding, and confidence in the essence of the democratic form of administration with the king as head of state in both theory and practice.

(1.7) Promote the rights and freedom of state and private mass media in acquiring knowledge in state affairs and performance of state officials within the legal framework, expressing their opinions, propagating news and information in a accurate, quick, and fair manner.

(1.8) Improve and accelerate the administration of justice for the people by putting emphasis on improved efficiency, speed, and impartiality of the judiciary process for and expedite the training of judges to enhance their skill in handling lawsuits and cases in line with the changing economic and social conditions, such as cases pertaining to intellectual property and international trade, in preparation for establishing special courts. Promote the prestige of the judicial institution so that it can preserve the independent power for judges to perform their judiciary duty.

(1.9) Develop personnel and the grievance deliberation process and make necessary preparations for establishing the administrative court within four years.

(1.10) Redistribute administrative power to localities through election of administrators at all levels and increase the decision-making role and power of the local administrative organs in formulating development policy and management of natural resources, environment, and city planning, in compliance with the self-rule principle under the democratic system. The Tambon administrative bodies will be given the status of a juristic person to improve their performance and participate in solving the problems of the people.

(1.11) Improve government agencies and state enterprises at the central and regional levels through revision of rules and regulations to ensure justice for the people, reduce or eliminate unnecessary procedures, and improve the efficiency of state officials in serving the people.

(1.12) Enforce laws to maintain peace and order in the country by instructing government officials at all levels to take actions ensuring strict enforcement of laws and implant law-abiding consciousness among the people. Obsolete and unfair laws will be revised or abolished.

(1.13) Increase the efficiency of the crime suppression and prevention network so that it can provide safety in life and property for people through developing the quality of officials, procuring equipment, and developing the techonology necessary to fulfill the task.

(1.14) Prevent and suppress corruption and malfeasance practices in government circles and state agencies by improving the efficiency of personnel and organizations concerned. Improve the internal control system of state agencies, ensure the implementation of internal control regulations of state agencies, and, at the same time, build morale for state officials by systematically using the merit system in considering promotions and rewards, and upgrade the compensation process and welfare benefits in line with the changing economy.

(1.15) Improve ministries, departments, and offices as necessary in line with economic and social expansion in the country.

### 2. Security Policy

Taking into account the changing global and internal security sitution coupled with the restoration of peace and understanding among neighboring countries in this region, the government, therefore, formulates the new direction of security policy as follows:

(2.1) Improve the structure of the Armed Forces for compactness, but with capable personnel and modern weapons and equipment for defense of national independence, sovereignty, and interests.

(2.2) Improve the reservist and recruit systems in line with new conditions and promote military cooperation with friendly countries.

(2.3) Improve the curricula of military education institutions in the entire system in compliance with economic, social, and political developments in the country.

(2.4) Promote and develop the Armed Forces' role in contributing to national development and defense of economic interests on land and at sea.

(2.5) Promote the morale of low-ranking military personnel through the improvement of welfare benefits and by providing more vocational training for them which will enable them to begin new occupations upon dismissal from service.

### 3. Foreign Policy

The government will adhere to the existing obligations under the agreements and treaties Thailand has concluded with foreign countries, as well as the UN Charter and International Declaration of Human Rights, and implement a foreign policy for the fulfillment of national interests in the security, political, economic, and social areas in line with the changing global and regional situation. The government will attach significance to cooperation with all countries so as to enhance Thailand's status, role, and opportunity for it to be the economic, financial, and communications center of the region. The government will:

(3.1) Promote harmony, solidarity, and cooperation with neighboring countries in Southeast Asia.

(3.2) Develop and increase relations and cooperation with member countries of the Association of Southeast Asian Nations in the political, economic, social, and cultural fields and support the economic grouping under the framework of the ASEAN Free Trade Area.

(3.3) Promote relations and cooperation with Thailand's major trade parters and countries in all regions under the free trade system and fair competition and play a role in defusing international conflicts derived from trade, investment, and technology transfer, and protection of intellectual property by taking into account the country's readiness.

(3.4) Promote economic, technical, cultural, and human resource development cooperation with all countries at both bilateral and multilateral levels by increasing Thailand's role in assisting and supporting economic development in developing countries, in particular with neighboring countries, which will in turn to further strengthen relations and understanding between the Thai people and people in those countries.

(3.5) Enhance Thailand's role in the international arena in the preservation of environment for durable and balanced development.

(3.6) Facilitate, protect, and promote the rights and interests of the Thai people, laborers, and private enterprises in foreign countries.

### 4. Economic Policy

As a segment of people in the country are still poor and their living standard is below the average level and the country's economic growth has not been evenly distributed to them, the government will emphasize promoting the living standard of people from all walks of life as well as decentralizing prosperity to regional and rural areas. At the same time, the government will pursue the policy of economic liberalization by using its market mechanism and eliminating monopolies or unfair competition. This is to sustain the economic growth at an appropriate level and to strengthen the country's economic potential so it can compete with other countries. The government is determined to develop the country's economic elements in all sectors. The government has the following policy to achieve its target:

(4.1) In the monetary and fiscal sector:

The government is determined to maintain its monetary and fiscal discipline and stability while making the fiscal and monetary systems more flexible and efficient. The government will:

(4.1.1) Implement the monetary and fiscal policies carefully in order to keep inflation low by making both government and private sector spending more efficient, and confirm the country's monetary position and economic needs.

(4.1.2) Improve the collection efficiency of all kinds of taxes and restructure taxation to facilitate growth in production, trade, export, and domestic investment as well as to reduce taxes on low- and middle-income earners.

(4.1.3) Adopt monetary and fiscal measures to encourage decentralization of the production base, employment, and improve production efficiency to rural areas.

(4.1.4) Allocate funds for investment in the expansion of public utilities, infrastructure, environment protection, human resources development, development of quality of life in urban and rural areas, and increase the quantity and quality of production factors for farmers. This will start from the 1993 fiscal year and continue onwards.

(4.1.5) Allocate the budget to support regions and localities and decentralize budgetary management power to regions and localities as well as encourage the localities to keep their revenue at an appropriate rate.

(4.1.6) Increase management efficiency of state enterprises to strengthen their fiscal stability and encourage the private sector to have a share in public utilities to reduce the government's financial burden.

(4.1.7) Seriously encourage domestic savings in the private sector by strengthening the money market and financial institutions. Tax privileges will be used to encourage savings for housing, education, and retirement as well as to encourage other kinds of long-term savings.

(4.1.8) Supervise the financial institutions in both the money and capital markets to ensure their operational stability and efficiency to meet international standards in order to let financial institutions carry out distribution of resources to all economic sectors, and to effectively satisfy the monetary needs of the people and businesses.

(4.1.9) Develop a free monetary system by easing unnecessary controls and lift limitations to boost efficiency and flexibility by taking into account the discipline and quality of the monetary system.

(4.1.10) Establish and promote the role of specialized financial institutions to support export by establishing export-import banks. Encourage decentralization of prosperity and investment to rural areas by supporting the existing specialized financial institutions to provide more credits for the production sector in rural areas, especially small and home industries.

(4.1.11) Maintain the stability of and confidence in the baht currency by continuing the policy of using a basket of currencies to fix the daily exchange rates.

(4.1.12) Develop the country into a regional monetary center to promote trade and investment and link the country's monetary system with those of other countries in this region.

(4.2) In the agricultural sector

The government realizes that solving the poverty of farmers is an urgent task and this has to be done in many areas. Therefore, it adopts the following policy to increase the income of the famers:

(4.2.1) Establish a national agriculture council to give a chance to representatives of the farmers to work together with the government and the private sector on production, diversification, and marketing policy. It will also use the fund to help farmers in stabilizing the prices of farm products.

(4.2.2) Improve the agricultural production system to suit the geographical conditions and meet local and foreign market demands by diversifying the farm products, especially new agricultural products to provide materials for the agro-industry. It will promote the full-cycle farming system, livestock raising, coastal farming, as well as joint fishing ventures with foreign countries.

(4.2.3) Accelerate the development of natural water resources, and water resources in farm land, construction of small water sources, and development of water reservoirs at water basins to solve the water shortage for consumption and farming. In the long term, the government will bring water resources from international waters for use in accordance with the country's rights, as well as improve the efficiency of the irrigation management.

(4.2.4) Accelerate land reform and issuance of land ownership documents to distribute land ownership for poor farmers and farmers who are making a living on government land by improving the administration and management mechanism of the government and allocating a budget to facilitate the process which will cover an average of 4 million rai of land per year.

(4.2.5) Support research work and development of crop and livestock species and a modern and advanced agricultural system to improve production efficiency for competition in the world market. Production factors will be arranged with quality and fair prices for farmers, especially crop and livestock species and fertilizers and agricultural chemicals; and encourage the private sector to take part in arranging technological development and supplying species with good quality for farmers.

(4.2.6) Farmers' development institutions in connection with the cooperative system will be promoted to increase the farmers' bargaining power against business groups. Improve the quality of farmers to increase their capability by emphasizing training and vocational training for farmers, youth farmers, and farm wives.

(4.2.7) Encourage farmers to engage in supplementary activities beyond agriculture by providing them with knowledge in processing agricultural products to promote home industries.

(4.2.8) Provide assistance to help solve the farmer's debt problem by offering them low-interest loans and technology know-how and production factors. In addition, the government will improve the mechanism in providing agricultural loans to meet the target and policy in solving the farmers' debt problems.

(4.2.9) Increase measures to prevent and suppress forestry encroachment and illegal logging activities and preserve forestry areas and watersheds as well as rehabilitation of deteriorating natural resources by stepping up reforestation at reserve areas which have been encroached upon. It will also encourage farmers to grow trees on their own land.

(4.2.10) Improve the agricultural information and news system to make it more modern, accurate, and speedy at both domestic and internatinal levels.

(4.3) In the industrial sector

As industrial development has an important role for economic expansion, the government has the policy to support the continued high industrial growth and relocation of industries to regional and rural areas with good and sufficient technology support and prevention of pollution from factories. The government will:

(4.3.1) Improve the production efficiency by encouraging investment in technologcial development, marketing, and management, especially the acceleration of the development of skilled laborers to meet the demand. It will adjust regulations and steps in applying or renewing industrial operation permits to facilitate investment as well as improve the efficiency of government officials in providing investment advice and service.

(4.3.2) Emphasize the development of industries to create jobs in local communities, use more domestic raw materials, add greater value to products, boost competitiveness and build a base for related industries such as farm product processing, textiles and garments, electronics, petrochemicals, metal, and iron. It will encourage decentralization of processing factories to regional and rural areas.

(4.3.3) Encourage decentralization of industries which use massive amounts of materials and laborers to regional and rural areas by developing a basic infrastructure. Promote sufficient investment by the private sector as well as establish industrial estates in regional areas. Encourage financial institutions to increase credits for industries in provinces, especially small-sized and home industries as well as small engineering businesses, including manufacturing or repairing of small machinery.

(4.3.4) Improve the efficiency of control works and pollution elimination supervision by checking factories consistently.

(4.3.5) Encourage and give incentives to industrial operators to move their factories into industrial estate zones to enable effective environmental control.

(4.3.6) Encourage the private sector to have a role and reduce the government's burden in some works, such as setting up and inspecting quality and standards of products and the inspection of factories.

(4.4) In international trade

To enable business operators to effectively compete in international trade and investment admist fierce trade protectionism, the government will pursue the following policy:

(4.4.1) Eliminate obstructions to manufacturing for export in the agricultural, industrial, and service sectors to meet market demands.

(4.4.2) Promote free trade under international economic commitments. Protect national rights and interests by taking into account the country's readiness and capacity. In particular, the government will attach importance to talks under GATT and the establishment of the ASEAN Free Trade Area.

(4.4.3) Promote multilateral trade relations with various economic cooperation groupings, such as the ASEAN, EC, Asia-Pacific Economic Cooperation forum, and North American Free Trade Area in order to consistently expand trade and investment opportunities.

(4.4.4) Encourage the opening of border checkpoints to expand trade and investment with neighboring countries.

(4.4.5) Hold talks to correct treaties and commitments on international waters and the use of sea resources to protect national interests.

(4.4.6) Strengthen trade relations with neighboring countries by extending cooperation in the economic, technological, and personnel development fields and developing infrastructure to be linked with that of neighboring countries for common interests.

(4.4.7) Promote the role of the private sector in planning and adopting strategies for trade with foreign countries to protect trade and investment interests.

(4.5) In domestic trade

The government will emphasize its supervisory role to ensure that domestic trade moves in line with the marketing system fairly. The government will:

(4.5.1) Maintain the stability of farm product prices in line with internal and external conditions. Eliminate the exploitation of farmers in terms of price, quantity, and quality of their products.

(4.5.2) Eliminate monopolies and unfair competition to protect consumers.

(4.5.3) Improve the news and information system for trade in both manufacturing and marketing to make it more speedy and prompt to benefit manufacturers, traders, and consumers.

(4.5.4) Promote insurance business to further strengthen domestic economic stability and growth and to supervise and look after the fairness for insurance policy holders and beneficiaries.

(4.6) In the communications sector:

In order to promote the development, expansion, and modernization of communications and transport network and make it adequately serve the economic growth of the country and the region, the government will:

(4.6.1) Carry out projects to build road networks to link up all parts of the country. Especially, all major roads will be expanded into four-lane divided highways. Improvement will also be made to the railway service by building double rail tracks wherever it is possible.

(4.6.2) Solve the traffic problem in big cities and at major communications centers. Measures to be taken will involve city planning, road surface expansion, management of mass transit system, and strict disciplines for motorists and road users. Plans will also be laid down to prevent traffic problems in other cities in the future.

(4.6.3) Formulate a structure for communications and transport infrastructure so that it can cope with economic and social growth in future. The private sector will be encouraged to take part in investment and services of communications and transport projects.

(4.6.4) Develop water and coastal transportation system. For this, ports will be built at specific spots in order to link with land transportation network. This will reduce the cost of domestic transportation of goods and save energy consumption.

(4.6.5) Promote efforts to turn Thailand into an aviation and air transportation center of the region while expanding the service of domestic air transportation.

(4.6.6) Achieve development, expansion, and modernization of telecommunications network through application of new technology in order to support the plan of becoming an economic and financial center in this region.

(4.7) In the energy sector:

In order to accelerate development of energy sources to keep up with economic and social expansion of the country, on the basis of self-reliance, and with consideration given to environmental impacts, the government will carry out the following plans:

(4.7.1) To ensure an adequate supply of electricity and other kinds of energy in order to keep up with the demand and also to keep prices at a reasonable rate, the government will carry out projects for survey and exploitation of energy resources in the country. It will also cooperate with the neighboring countries for energy resources development and procurement.

(4.7.2) Promote and support free competition in oil refinery and trading industry while eliminating unfair competition on domestic scene.

(4.7.3) Formulate measures and implement projects aimed at promoting proper use of energy and energy conservation.

(4.7.4) Promote and support more investment by the private sector in projects initiated by the state the development of energy sources.

(4.7.5) Lay down measures to prevent and control the problem of pollution caused by energy development and production.

(4.7.6) Lay down and accelerate implementation of measures to alleviate the problem of pollution caused by energy consumption, especially by motor vehicles in urban areas. To cite as example are: requirement for motor vehicles to be equipped with standard exhaust pipes, regulations for engine maintenance, and improvement of petrol quality.

(4.8) On natural resources and environment management:

With the impact on the environment and natural resources caused by fast economic and social changes, the government has formulated the following policies:

(4.8.1) Zoning for land utilization in keeping with the soil quality and topography potential, farming zone, commercial zone, industrial zone, community residential area, and forest reserves.

(4.8.2) Conservation of forest resources, both inland forests and coastal mangroves, through support given to local organizations and the general public to participate in campaigns aimed at forests conservation and community reafforestation program.

(4.8.3) Accelerating efforts for conservation and preservation of water sources in order to prevent environmental pollution. Strict measures will be adopted for quality control of water, improvement of capacity for facilities to treat waste water before it is released into major waterways and rivers. Promoting joint investment between the state and private sector in construction of public waste water treatment facilities.

(4.8.4) Decentralization of authorities for environment management. Power will be delegated from the central to local areas with a growing participation in the campaigns expected from the provinces, local authorities, and the general public.

(4.8.5) Formulation of measures for control on utilization and restoration of natural resources. Zoning will be declared in order to safeguard environment protection and control pollution in crisis areas.

(4.8.6) Educating the youth and children, as well as the general public, on the importance of conservation of natural resources and environment. Support will be given to private organizations which are engaged in the work under this criteria.

(4.9) On tourism

In order to achieve continued development of tourism industry which is a major national income earner, the government has adopted the following policies:

(4.9.1) To promote the role played by the private sector in development of tourism industry by providing it with support and facilities. The government will also oversee and supervise the business of guides to improve the standard of the profession, making trustworthy and acceptable to the tourist industry.

(4.9.2) Promote and coordinate work with other agencies, at national, regional, and international level, in order to project a right image of Thailand to foreigners, and to inform foreigners of the full potential Thailand has in the areas of tourism, trade, investment, and international conventions.

(4.9.3) Achieve development for Thailand as a center of tourism in the region. For this, efforts will be made to expand the basic service network, improve the standard of the service industry, and to improve the efficiency of tourism personnel.

(4.9.4) Promote and encourage domestic tourism among local people.

(4.9.5) Preserve and rehabilitate natural resources and tourism destinations in order to support the campaign to develop tourism industry. Adopt policy guidelines to prevent and solve problems of environmental pollution caused by tourism.

### 5. Policy To Distribute Progress to the Provinces and Upcountry

Although the country has achieved a certain level of progress from the previous efforts in economic and social development, the progress is centered in and around Bangkok and the outlying areas but has not been fairly distributed to other parts of the country. This has brought problems to Bangkok and created the problem of economic and social disparity in the rural areas. The government thus has adopted the following policies to systematically accelerate development to the provinces and upcountry.

(5.1) Expand to the provinces, adequately and thoroughly, the economic infrastructure, such as transport and communications system, telecommunications system, water works, electricity, and telephone service, in order to broaden the scope of opportunity for economic development in the provinces.

(5.2) Supply basic social infrastructure, such as schools, health stations, housing, which are up to the standard, to the people in the provinces in order to improve their living conditions.

(5.3) Support investment expansion by the private sector in the provinces by adopting special measures on taxation and providing credits from government and private banking institutions.

(5.4) Promote businesses in trading, service, farming, and industries launched by the private sector in the various localities, based on potentiality in each locality, in order to encourage more investment and creation of jobs in the provinces.

(5.5) Promote the role of the private sector in sharing responsibility with the state in efforts to push for economic and social development in the rural areas.

(5.6) Develop economic strategies for each of the regions as follows:

(5.6.1) In the east, the government will pursue, on a continual basis, the eastern seabord development program under the plan laid down in order to serve as an economic base for a population of two million.

(5.6.2) In the south, the government will formulate a southern seaboard development plan which would create an economic bridge to link the Andaman Sea with the Gulf of Thailand. The government will take into account the problem of environmental management. It will consider establishing special economic zones in the five southern border provinces based on suitability.

(5.6.3) The government has a plan to develop the north into an air communications center which will link up with the network in the neighboring countries, particularly the PRC, Lao People's Democratic Republic, and Burma.

(5.6.4) In the central plain, the government will accelerate development of water sources and draw more water into the Chao Phraya River for use in agriculture and public consumption.

(5.6.5) In the northeast, efforts will be made to accelerate development of water sources and restructure economic production to make it less dependable on agriculture. Efforts will be made to promote the region as a center for production and gateway for trade and contact with the Indochinese countries. Efforts will also be made to develop networks of communications and transport system in order to link with the eastern seaboard.

### 6. Policy on Restoration and Renovation of Bangkok

To solve problems caused by the rapid and unsystematic growth of Bangkok, the government will:

(6.1) Lay down a major plan for the restoration and renovation of Bangkok Metropolis in order to solve the problems of traffic, flooding, environmental pollution, shortage of housing facilities, and slums. The government will speed up the electric train project for a mass transit system; improve bus services; improve railway services between Bangkok and the outskirts; speed up construction of major and secondary road networks, the establishment of waste water treatment system, control of air pollution, expansion and improvement of public utilities and facilities, housing projects for low-income earners, renovation of slum areas, and construction on state land of more public parks, sports stadiums and children's playgrounds.

(6.2) Mobilize funds for use in the above-mentioned projects, on the basis that investment and operation costs will be fairly shared by the government, the Bangkok Metropolis Administration, and the people using the services.

(6.3) Support the establishment of a coordinating body, with unity and decision-making power, to be responsible for implementing the projects, and coordinating work between the government and private sectors carrying out projects invested in by the Bangkok Metropolis Administration.

(6.4) More rapidly solve the problem of pollution in the Chao Phraya River and other canals through strict law enforcement.

(6.5) Solve the problem of housing and slums by giving support to the private sector in order to encourage it in building low-cost housing projects. Support can be given it in the form of special investment promotion privileges and more low-interest loans. In addition, the government will expand and improve public utilities and facilities, particularly electricity and tap water services, for the people living in congested communities in a bid to improve their living conditions.

(6.6) Support government agencies and state enterprises prepared to move from Bangkok in moving out in a bid to alleviate the heavy trafic congestion.

(6.7) Develop Bangkok Metropolis under an expansion plan which would enable it to link up with the new economic zones in the eastern seaboard, the second international airport of Bangkok at Nong Ngu Hao, and the upper central plain.

## 7. Science and Technology Policy

In order to promote economic and social development, the government will accelerate development of scientific and technological expertise for use as a major factor in the increase of productivity, to compete in the international market, and to improve the quality of life for the people. On this the government has set the following as policy guidelines.

(7.1) Promote joint efforts by the state and private sector in developing and achieving modernization for science and technology, applying the mechanism to boost agricultural, industrial, and service productivity, and setting up information and data processing centers.

(7.2) Seriously support cooperation between the public and private sectors in carrying out technology research and development. The two sectors should take part in setting the direction, priorities, and targets for the development in keeping with economic necessities of the country. Efforts should also be made to publicize and tranfer technology.

(7.3) Support research and development work by the public sector, both in terms of budget and personnel, in order to enhance Thailand's competitiveness with other countries. Emphasis will be given to applied research in order to develop proper technology for local manufacturers, especially small-scale manufacturers, helping them to increase productivity and employment.

(7.4) Make continuous efforts to accelerate production and development of personnel in science and technology. Support, in the form of more allocations in funds and scholarships for education, training, and research work, both in the country and abroad, will be given to the private sector to produce and develop personnel

(7.5) Promote investment in scientific and technology research and development by the private sector in order to encourage manufacture of new products instead of depending solely on imports. Tax privileges or privileges in other forms will be given to them.

(7.6) Support transfer of modern technology from foreign countries. Tax privileges as well as other facilities will be provided for experts concerned with technology transfer.

(7.7) Broaden the scope of cooperation with other countries in the development of science and technology.

## 8. Social Policy

The changes in the country's economic and social structure have prompted the people to adjust their way of life rapidly, causing problems in several fields. Therefore, it is necessary for the government to solve these problems with the following policy:

(8.1) Education

(8.1.1) Accelerate the expansion of educational opportunities at the pre-elementary level thoroughly by emphasizing the development of child readiness prior to entering elementary schools.

(8.1.2) Accelerate the extension of basic education from six to nine years thoroughly and rapidly with quality inside and outside schools. Support education for physically and mentally handicapped persons and less fortunate persons.

(8.1.3) Develop the quality of education at all levels and all kinds such as the details and process; in particular, the education in mathematics, science, and technology; which is the important base for inventing new necessary products to serve national development.

(8.1.4) Expedite the education and training of youths to enable them to be aware of the importance of taking part in activities of the democratic society with the king as head of state. Set a good example for youths in morality, etiquette, and values which emphasize benefits for the general public by emphasizing close cooperation between the educational institution, religions, society, and families.

(8.1.5) Arranging vocational education and training both inside and outside schools to develop the quality of labor skills at all levels and encourage the private sector to play a role in arranging education and training on a broader range.

(8.1.6) Promote and encourage the use of resources of the public and private sectors, business firms, localities, and local intellectual sources to take a part in arranging education and exchanging news on education.

(8.1.7) Decentralize the educational administration power to regional areas and education institutions by clearly setting up limit of responsibility of official units at all levels so that education institutions will have flexibility in selecting their management methods. Encourage persons and organizations at localities to have a part in arranging education in their localities in the form of educational committees.

(8.1.8) Encourage institutions of higher learning to be flexible and independent in working for academic advancement.

(8.1.9) Encourage public and private educational institutions, especially local educational institutions, to play a role in local and national development in the economic and social fields and in promoting the quality of life of people at localities.

(8.1.10) Promote the private sector's role in arranging the educational system at all levels.

(8.1.11) Develop the standard of teachers and educational personnel to enable them to become real professionals by adjusting the recruitment system and developing the quality of teachers and educational personnel systematically and continuously.

(8.1.12) Adjust appropriate welfare for personnel at educational institutions at all levels to boost their morals and pride.

(8.1.13) Expand the lunch program fund thoroughly at the preschool and elementary school levels to enable the students to develop their health completely as well as encourage the establishment of educational funds to help students who lack funds.

(8.2) Religion and art and culture

(8.2.1) Foster religions and promote religious institutions by developing the education of monks and training of religious personnel to improve their quality so that they can become leaders capable of improving the people's morality and etiquette.

(8.2.2) Encourage people, organizations, institutions, and communities to participate in activities designed to preserve, promote, and publicize Thai art and culture.

(8.2.3) To enable Thailand to become a center for educational cooperation, research and analysis, training, preservation of ancient sites and antique objects, and for regional art and cultural development.

(8.3) In the public health sector

To promote the quality of life of the people in the public health sector, the government adopts the following policy for the development of public health management and service, AIDS control, and health promotion, and the production and development of personnel.

(8.3.1) To have a national public health service system with a nationwide network and to expand public health service of the government at the central, regional, and rural areas thoroughly as well as coordinate the service with that of the private sector and have an effective patient transfer system.

(8.3.2) Decentralize administration power to regional areas by setting up public health districts to cover the whole nation to take care of treatment service, health promotion, disease prevention to meet the demands, and public health problems at localities.

(8.3.3) Accelerate primary health tasks at rural areas by increasing the capability of public health service stations at tambon level and expand and develop the quality of primary health at urban areas, especially at slums. Seek cooperation from private organizations in developing primary health care and appropriately integrating traditional medicine and herbs into the public health system of communities.

(8.3.4) Adjust the health insurance system to enable it to protect the employees appropriately, especially for those manufacturing stations which have over 10 employees. Encourage about 25 million Thai people who still do not have health guarantee to have health insurance voluntarily.

(8.3.5) Provide medical welfare for low-income families and the elderly, infants until 12 years old, and disabled by providing them with medical welfare cards.

(8.3.6) Expedite all government units and the private sector and public welfare organizations to provide correct knowledge on AIDS prevention to enable the people to change their behavior, especially the high risk group.

(8.3.7) Arrange treatment for AIDS patients by preparing sufficient personnel and providing consultation services for HIV carriers and patients so that they can live in society normally.

(8.3.8) Expedite the arrangement of clean water for consumption and toilets which meet health standards. Also, expedite the control and inspection of the quality of environment which may be dangerous to health. Finally, expedite the control waste and contaminated discharges at hospitals.

(8.3.9) Have a public campaign to make the public realize the dangers of smoking, drinking, and drug and narcotics addiction.

(8.3.10) Expedite the production and development of the capability of medical and health personnel and in sufficient numbers by emphasizing the distribution of more personnel to rural areas as well as boosting their morale and giving appropriate pay and benefits for these personnel at all levels.

(8.4) Consumer protection

In order to ensure safety and fairness for consumers, the government adopts the following policy:

(8.4.1) Expedite the protection of consumers to enable them to receive good products and services with safety and quality at reasonable prices by publicizing knowledge and inspecting quality and standards as well as carrying out legal actions against serious wrongdoers.

(8.4.2) Promote the use of correct and appropriate technology in manufacturing and make the advertisement of goods and services conform with reality.

(8.4.3) Adjust consumer protection laws and consumer protection organizations to ensure their readiness in carrying out their duties effectively and thoroughly.

(8.4.4) Encourage the private sector to set up an organization which will have a role in protecting and preserving the benefit of consumers in the center and regional areas.

(8.5) In the labor sector

The government has realized the role and importance of labor in supporting national development to enable the country to effectively compete with other countries. It will promote joint investment between the public and private sectors to develop the knowledge, skill, and expertise of the laborers in their profession. This will help them to receive suitable and fair wages as well as protection of working conditions and employment in line with the law. The government will:

(8.5.1) Promote the freedom of laborers and full labor protection by giving them the right to set up labor unions for labor protection. Promote the welfare of laborers to met international standards in the democratic administrative system by adjusting it to suit the domestic situation.

(8.5.2) Amend laws relating to state enterprise workers so that they will have rights, duties, and responsibilities with appropriate bounds in line with national economic and social development and stabilization policy by banning strikes of public utilities and facilities.

(8.5.3) Promote training and development of labor skill for economically less fortunate people, especially laborers from the agricultural sector in rural areas and poor laborers in the urban areas, in order to create job opportunities and increase their income.

(8.5.4) Promote and support the cooperation between the public and private sectors in setting up a labor skill development institute and labor skill training center, especially for laborers who need high skill and expertise.

(8.5.5) Provide assistance for people engaged in small self-employed business by providing technological knowledge and funds and arrange vocational training courses to help youths and housewives in rural areas to increase their income during dry seasons and harvest-waiting periods.

(8.5.6) Lay down regulations in deciding appropriate and fair wages between employers and laborers by taking into account the production efficiency and living costs.

(8.5.7) Promote an appropriate labor welfare system and standards. In particular, provide proper temporary shelter for construction workers and education to their children through mobile schools.

(8.5.8) Strengthen effective labor relations at both bipartite and tripartite systems for better relations between employers and employees to help reduce conflicts which will in turn have adverse impact on the economic system. Hold training to provide knowledge and understanding on their rights, duties, and responsibilities and benefit under labor laws.

(8.5.9) Promote safety as well as a good working environment by adjusting laws on working safety and environment.

(8.6) In the child and woman's sector

The government adopts the following policy to protect the rights and provide welfare for children and women:

(8.6.1) Encourage the establishment of child care centers in urban and rural areas and improve libraries to sufficiently serve the children and youths.

(8.6.2) Overcome sex discrimination by amending relevant laws and regulations to provide women with professional opportunities equal to men.

(8.6.3) Encourage families, the government and nongovernmental units, religion institutions, and the mass media to take part in preventing and solving problems and developing children and youths, especially the problems of stray children, child labor, prostitution, and corruption of children in vices.

(8.6.4) Instill basic values for children and youths, especially concerning reasonability, listen to the other's opinions, have sporting spirit, discipline, austerity, faith in the democratic system with the king as head of state, and self-dependence. Encourage children and youths to have a role in carrying out more charitable activities and realize the values of behaving in line with religious principles, upholding national identities, art and culture, local traditions, and knowing the value of natural resources and environment.

(8.7) In the field of sports, the government will:

(8.7.1) Promote and support development of health and sanitation among the youth, children, and people in general. They are encouraged to engage in physical exercises and games playing which is a basis in improving the quality of life and pursuing supremacy in sports tournaments at both the national and international level.

(8.7.2) Accelerate systematic development of the national standard of sports, build sports stadiums, and develop sports equipment to adequately supply the need of athletes in training and playing to the full.

(8.7.3) Promote a welfare system as an incentive to boost the moral strength of sportsmen. Support greater participation by the private sector in promoting national sports affairs.

(8.8) On other matters

In order to solve other aspects of social problems of the country, the government has adopted the following policy guidelines:

(8.8.1) Step up prevention and solution to the problems of addictive substances. For this, the government will take stringent measures in law enforcement and will cooperate closely with the United Nations and neighboring countries. The government will take action in strictly controlling the use of stimulants with emphasis on suppression of illegal drug manufacturers and traffickers.

(8.8.2) Arrange for an accident prevention system, reduce accidents, and provide relief operations in case of public disasters.

(8.8.3) Take care of, rehabilitate, and help develop those who are underprivileged and who deserve special attention, such as the handicapped or crippled, so that they can have education, vocational training, and employment which will in turn enable them to take pride in being able to sustain themselves.

(8.8.4) Take care of the aged in order to enable them to survive happily in society.

Dear president and distinguished members of the parliament: In carrying out national administration under the stated policy, I beg to assure you that the government will firmly execute its responsibilities with honesty and sincerity in the interest of the country and its people. This is the highest goal of the government in performing its mission. I am confident that we will receive full cooperation and support from all distinguished members of the parliament. Thank you.

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## Army, Cambodians To Crack Down on Border Bandits

*BK2710024992 Bangkok BANGKOK POST in English 27 Oct 92 p 7*

[Text] Prachin Buri—Thai and KPNLAF [Khmer People's National Liberation Armed Forces] officials yesterday agreed to jointly crack down on Cambodian armed bandits preying on Thai border villagers.

Thailand was represented by Col Phongthep Khanitanon, an Army Task Force deputy commander, while Gen Diel Del represented the Khmer People's National Liberation Armed Forces during the talks at Banteay Meanrit village, opposite Tha Phraya District of Prachin Buri.

UNTAC representatives also attended the 90 minute meeting which concluded with an agreement that Thai and KPNLAF officials will take joint measures to suppress armed Cambodian bandits who have been preying on Thai civilians along the Thai-Cambodian border.

The KPNLAF will also crack down on war weapons which may be smuggled into Thailand as well as the smuggling of vehicles from Thailand into Cambodia.

The Thai side agreed to consider reopening temporary border trading points soon.

Gen Diel Del, who is the KPNLAF's deputy supreme commander, confirmed that his men will cooperate with Thai authorities in their joint effort to crack down on border banditry.

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## Government To 'Respect' UN Cambodia Resolutions

*BK2710024492 Bangkok BANGKOK POST in English 27 Oct 92 p 7*

[Text] Thailand will respect any United Nations resolution to restore peace to Cambodia after joining Japan in talks with the Khmer Rouge on Thursday, Foreign Minister Prasong Sunsiri said yesterday.

Sqn Ldr Prasong, asked if this would include respect for a ban on trade with the guerrillas, said Thailand, as a UN member, was bound to comply with any action taken by the world body.

"UN members have to respect any UN resolution," he said.

The talks on Thursday are the last negotiated bid to persuade the Khmer Rouge to return to the UN brokered peace process.

Deputy Permanent Secretary for Foreign Affairs Sarot Chawanawirat said the Khmer Rouge had been presented with a revised proposal from Thailand and Japan, which was formulated after consultation with the so-called Perm Five Plus group.

The guerrillas have been asked to study the revised proposal carefully before the meeting.

The proposal contains general principles and the guerrillas could not be expected to agree with it 100 per cent, he said.

The two countries held two rounds of inconclusive talks in August with the guerrillas who are refusing to disarm according to the Paris peace agreement of October 23, 1991.

The UN Security Council, under a resolution adopted two weeks ago, gave Thailand and Japan until the end of this month to persuade the guerrillas to return to the peace process.

France and Indonesia, as cochairmen of the Paris International Conference on Cambodia (PICC) were mandated to hold follow-up talks if necessary.

But there have been suggestions of the possibility of tougher measures including trade sanctions—if the Khmer Rouge fail to comply by November 15 with the disarmament phase of the October 23, 1991 Paris Peace Agreement on Cambodia.

Sqn Ldr Prasong was unable to say whether the talks on Thursday would be held in Bangkok or Phnom Penh.

But he said this may be the last of a series of meetings and Thailand would try its hardest to obtain constructive results.

The minister was speaking to reporters at a "Meet the Press" gathering at the foreign ministry yesterday evening.

The Thai government has no power to stop the private sector from trading with a neighbouring country, he said.

But traders doing business in Khmer Rouge-controlled areas have been warned of a forthcoming moratorium on logging.

The foreign minister was referring to the Cambodian ban on log exports due to take effect on December 31 under a decision reached last month by the Supreme National Council of Cambodia.

The decision was communicated to Thai traders by former Foreign Minister Asa Sarasin.

Thai traders doing business with neighbouring countries have to abide by their laws, said Sqn Ldr Prasong. This applies to those trading with Cambodia as well as Thailand's other neighbours.

In Burma, traders are operating within legal bounds because their activities have been approved by the Rangoon government, he said.

The foreign minister also reaffirmed the Government's declared policy to lay emphasis on relations with neighbours on the basis of sincerity, mutual understanding and benefit.

"We have to help them develop socially and economically," he said.

Thailand will adopt an "independent" policy so as to preserve the interests of Thailand, he said.

## Burmese Troops Said Occupying 'Strategic Site'

*BK2510014892 Bangkok THE SUNDAY POST in English 25 Oct 92 p 3*

[Text] Burmese troops have occupied another strategic site in Kanchanaburi province, according to intelligence sources.

The intruding forces from the 404th Battalion took up position near Hin Kong border pass at Ban E-Thong in Thong Phaphum District several months ago, the sources said.

Border Patrol Police units have been in a stand-off with the intruders after they failed to drive out the Burmese, who seized the area with little resistance from the Thai forces, the sources said.

Thai villagers fled the area after the Burmese troops took up position and began building living quarters and bunkers and guarding them with mortars and light machine guns.

The intrusion at Ban E-Thong is the second by the Burmese forces.

Another Burmese battalion has occupied a hilly area known as "Hill 491" in Tha Sae District of Chumphon since January.

The Burmese troops are believed to be there to prevent the hill from being used by Karen rebels as a fire base.

Despite Army chief Wimon Wongwanit's recent statement that Burma has promised to pull out, the sources said the withdrawal did not appear imminent.

## Thailand 'Villain' at Manila ASEAN Talks

*BK2010080192 Bangkok BANGKOK POST in English 20 Oct 92 p 4*

[By Peter Mytri Ungphakon, Ratchaphon Laowanit, and Saritdet Marukatat from Manila with additional reporting by Anuphong Chaiyariti in Bangkok]

[Text] "Thailand might as well announce it is going to be protectionist and leave ASEAN," one Thai official in Manila blurted out in frustration on Sunday night. Even before senior officials started their formal talks yesterday to prepare for ministerial meetings later this week, they were forced into late-night consultations with their fellow ASEAN counterparts to explain Bangkok's position. Discussions went on until 11 p.m. on Sunday night and some officials were up until 2 a.m. yesterday morning preparing reports to send back to Bangkok. Explaining Thailand's position has not been easy, despite the sympathy expressed for the new government's need to go complete the parliamentary policy debate before it can make any commitments. Sources say Thai Commerce Permanent Secretary Phatchara Itsrasena had to announce early in yesterday morning's formal meeting of senior officials that his delegation had no mandate on issues concerning regional free trade. Anything that was agreed would have to be tentative, subject to approval when Deputy Prime Minister Suphachai Panitchapak joins other ASEAN ministers on Thursday, Mr Phatchara was quoted as saying.

Thailand's image in Manila this week is a dramatic contrast to that created by the aggressive promotion of free trade within the region of the Anan Panyarachun governments. Some Thai officials say the country has turned into the villain in the regional free trade negotiations. ASEAN members who are more reluctant to lower trade barriers—such as Indonesia—can sit back while everyone else accuses Thailand of procrastinating, according to this account.

It is ironic, therefore, that some of the issues that are at the centre of the bureaucratic mix-up and the accusations of foot-dragging are also the unintended legacy of the Anan government.

A chief issue is the decision to hand matters concerning moves towards an ASEAN Free Trade Area (AFTA) over to the Finance Ministry, a decision that the new minister, Tharin Nimmanhemin, has embraced wholeheartedly. This appears to be because the Finance Ministry tends to be more reluctant to lower tariffs, arguing that domestic industry has to be protected and at the same time concerned that its revenue will be reduced.

Trade officials challenge both arguments. They say the Finance Ministry is sometimes more protective of domestic industry than even the Industry Ministry. They also argue that the ministry's concern about its revenue is shortsighted because in the long-run lower tariffs can increase trade and economic growth and boost revenue collection even when lower rates are charged.

The bureaucratic rivalry that resulted has exacerbated the situation, with some serious breakdowns in communications. Decisions reached by a meeting of ministers in Bangkok on Friday morning only reached the Thai delegation in Manila yesterday morning for example, by which time they were out of date. And to make matters worse, wildly different information was coming out of Bangkok and Manila. Yesterday morning, Finance Minister Tharin Nimmanhemin said in Bangkok that:

—ASEAN had agreed to postpone a meeting of a committee of ministers known as the AFTA Council, originally scheduled to meet tomorrow.

—Because the AFTA Council was assigned to handle all matters concerning the implementation of the AFTA agreement, ASEAN had agreed to drop all AFTA items from the agenda of the ASEAN Economic Ministers' (AEM) meetings on Thursday and Friday.

—The question of whether the AFTA Council should report directly to the ASEAN heads of government or to the economic ministers was an "out-of-date" issue that had already been settled. The AFTA Council would definitely report to ASEAN heads of government, he said. Mr Tharin said those points were based on conversations with Philippine Trade and Industry Secretary Rizalino Navarro on Friday night and with other ASEAN ministers on Saturday morning.

He was right on one point. ASEAN has agreed to postpone the AFTA Council and "will likely meet two or three weeks from now," according to a statement released by Mr Navarro yesterday morning at roughly the same time as Mr Tharin was speaking in Bangkok. He was wrong on both the other points, and how a man of Mr Tharin's reputation could have been so mistaken remains a mystery.

Mr Navarro's statement said senior officials would, yesterday and today, "make recommendations on the AFTA and its implementation." Speaking to the BANGKOK POST, his deputy, Lilia Bautista, said ASEAN economic ministers would have to decide when they meet on Thursday whether to drop AFTA issues from the agenda.

There is some suspicion that Mr Tharin's position is influenced by his desire not to be subordinate to Mr Suphachai. He therefore apparently does not want to release control of AFTA tariffs to the ASEAN Economic Ministers' meeting in which Dr Suphachai should represent Thailand.

Whatever Mr Tharin believes, ASEAN's senior economic officials, whose task it is to prepare for their ministers' meeting, did indeed spend most of yesterday working out details of how to implement AFTA. The problem dates backs months. It involves a convoluted history of debate about the most effective way of reaching decisions at each stage of the agreed 15-year timetable for creating an ASEAN Free Trade Area.

The debate hinges on two issues: The need for a streamlined decisionmaking structure, and for one that can most objectively balance the many conflicting interests that are involved in trade liberalisation. The upshot was a compromise contained in the two agreements and one declaration signed at the ASEAN Summit in Singapore in January that govern the phasing-in of AFTA. They all refer to the creation of at least one ministerial council. The question is whether the agreements provide for more than one council and who the council or councils should report to.

—Article 2, Part A, Paragraph 1 of the Framework Agreement on Enhancing ASEAN Economic Cooperation says: "A ministerial-level Council will be set up to supervise, coordinate and review the implementation of the AFTA." It does not say who will set up the council.

—Article 7, Paragraph 1 of the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme—the formula agreed for cutting tariffs—for the ASEAN Free Trade Area (AFTA) says: "The ASEAN Economic Ministers (AEM) shall, for the purposes of this Agreement, establish a ministerial-level Council comprising one nominee from each Member State and the Secretary-General of the ASEAN Secretariat.... In the performance of its functions, the ministerial-level Council shall also be supported by the Senior Economic Official's Meetings (SEOM)."

—Paragraph 8 of the 1992 Singapore Declaration issued by Mr Anan and the other heads of government at the end of the Summit says: "...We have agreed that...a ministerial-level Council be established to supervise, coordinate and review the implentation of the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area (AFTA)."

Officials and other experts—including Dr Narongchai Akrasani, president of General Finance and an adviser to Mr Anan—have had a field-day interpreting those three passages. Has ASEAN agreed to set up one council or several? If the economic ministers "establish" a council does that mean the council has to report to the economic ministers or can it report to the heads of government instead?

It was Dr Narongchai and Mr Anan who argued that the AFTA Council should be an independent body reporting directly to the head of government. Mr Anan also handed responsibility in Thailand for the implementation of AFTA over to the Finance Ministry on the grounds that it is the agency responsible for customs duties.

Critics of this view argue that it would be wrong for an agency whose main concern is to collect as much revenue as possible to handle tariff negotiations. No country in the world does that, they point out, because tax-collectors are the least likely people to be willing to cut tax rates—for example negotiations under the General Agreement on Tariffs and Trade, or those leading to agreements such as North American free trade, are all done by trade ministers.

The critics also point out that an essential part of AFTA concerns the reduction of non-tariff barriers and the establishment of rules to determine whether goods originate within ASEAN and are therefore eligible for AFTA concessions. Neither of these are handled by the Finance Ministry.

Many are now tempted to brush aside the legalistic semantics and to conclude that it would be impractical to set up two new ministerial councils. If there is only one council, then the CEPT agreement clearly says that the council should be established by the economic ministers, which many consider to mean that the council should therefore be low-level, reporting to the economic ministers.

Thai officials say that Indonesia has prepared a challenge to Thailand's position.

They say that if Thailand continues to argue that the council should report directly to the heads of government, then Indonesia will propose formally naming the council as the CEPT Council which would specifically place it under the CEPT agreement and subordinate to the economic ministers. The Indonesians would be able to do this because the term of AFTA Council is informal—no formal name has been given so far.

Time is beginning to run out with the first tariff rate cuts due on January 1. So long as Thailand remains firm on its principle, ASEAN would appear to be heading for permanent deadlock. By insisting that all matters concerning AFTA be dropped from this week's deliberations, Thailand seriously risks alienating the rest of the group. The damage could take months of concession-yielding to repair.

Members of several delegations say Thailand's position on the AFTA Council is not shared by anyone else. Malaysia, Indonesia and the Philippines are said to be firmly opposed to the idea of an independent AFTA Council. Brunei is also said to be against, but not so firmly, while some accounts say Singapore does not really care much so long as AFTA moves ahead. But as matters stand AFTA cannot move ahead because ASEAN only reaches decisions by consensus. The ball appears to be in the court of the Chuan Likphai Government.

## U.S., ROK Said Dumping Petrochemical Products

*BK1910025192 Bangkok BANGKOK POST in English 19 Oct 92 p 21*

[Text] Thai Petrochemical Industry Co (TPI) will soon file a petition to the Business Economics Department asking it to investigate the alleged dumping of petrochemical products from the United States, Korea and Taiwan in Thailand.

TPI chief executive officer Prachai Laeophairat said certain foreign products were being imported at unfairly low prices, severely damaging local industry.

Some Korean companies had sold polypropylene (PP) in Thailand for $US500 per ton, US$100-200 lower than they sold it in Korea, he said. PP is used as a feedstock for film, food bags and battery case production.

"It is absurd for exporters to ship goods to foreign markets at prices lower than in the local market," Mr Prachai said.

He claimed the US-based Monsanto Inc and Chi Mouy Co of Taiwan had also sold acrylonitrile-butadiene-styrene (ABS) into Thailand at 32 baht per kilogram, forcing Thai producers to cut their prices to match the foreign imports. ABS is used to produce telephone and television set components and car parts.

US firm Dow Chemical Inc had also dumped Polyol, a feedstock used to produce foam, on the Thai market at 34-35 baht per kilogram, he alleged.

Mr Prachai said he had filed a petition with the Board of Investment (BOI) over the alleged dumping but until now he had received no response, so he planned to turn to the Business Economics Department.

The Thai government introduced measures last year to prevent local industries from being affected by dumping, but Thai industry was largely unaware of the cases which would be handled by the Business Economics Department, so only a few cases had been filed for its consideration.

## Vietnam

### Officials Hope U.S. Embargo Ends After Election

*BK2710033992 Bangkok BANGKOK POST in English 27 Oct 92 p 4*

[Article by Anurat Maniphan and Phaisan Siricharatchanya in Hanoi: "VN Watching US Election With Raised Hopes"]

[Text] Vietnam is monitoring the US presidential election with high hopes for the removal of the trade embargo, some officials going so far as to suggest May 1993 as the latest time frame for the event.

Held in poverty 17 years after winning the "American War" in 1975, Vietnam is expecting an "economic boom" to follow the removal of the embargo that has been most damaging in terms of blocked access to credits from international lending institutions.

In preparation for this longed for prosperity, officials say Vietnam has made structural adjustments in government and lined up a number of "long-term schemes" for increasing energy generating sources and improving infrastructural facilities.

The keen interest of American businessmen is pointedly noted by Vietnamese officials who cite a number of unofficial agreements reached on oil and gas that will be ready to go soon after the embargo is lifted.

Certainly, the question of the American servicemen missing-in-action during the Vietnam War remains the obstacle to the lifting of the embargo—and normalisation of relations between the two countries.

But, as Vietnamese Foreign Ministry spokeswoman Ho The Lan told the BANGKOK POST, "what we could do, we have already fulfilled." The statement came at about the same time as Hanoi announced its decision to open its military archives to US investigators.

US President George Bush hailed the move as a "significant beginning" that would enable the start of "writing the last chapter of the Vietnam War."

Even before his reaction became public knowledge, Vietnamese officials voiced confidence that the time for the removal of the trade embargo is well in sight.

"We are expecting an economic boom after the lifting of the US embargo, which we expect to take place in March or May," a senior official said.

Asked to explain the suggested time-frame, he said "the new (US) President will need some time to settle in."

Further elaboration made it clear that outside the US, Vietnam is possibly one of the keenest monitors of the US presidential campaign and will be waiting anxiously for results of the November 3 vote.

According to the official, President Bush and Democratic candidate Bill Clinton appeal to their respective generations among the Vietnamese. "Older people want Mr Bush as president while younger people want Mr Clinton to win."

But opinion apparently fluctuates. "Before, older ones had followers. Now younger ones have more," the official added.

The pro-Clinton camp argues that President Bush "did not make up-to-date adjustments after the end of the Cold War."

The reason offered: "Old ones find more difficulties to make adjustments—younger ones are more able."

Moreover, President Bush "has some illusions about victory over the collapse of the Soviet Union. He is drunken about the victory."

In addition, he "still holds some prejudice" on Vietnam.

By comparison, Mr Clinton was noted as an "anti-war activist" who recently said the Vietnam War was a "legal error" because it was not approved by Congress.

"I believe if Clinton is elected, he will correct the mistake ... and the process of normalisation will be faster," said one Vietnamese official.

The pro-Bush camp, however, argues that normalisation of relations between the two countries will be faster because the present president has a road-map which is already being followed.

"Mr Clinton has no road-map yet and maybe it will be longer," one source noted.

A Hanoi-based Asian diplomat believed Mr Clinton's anti-war past would hold back any lightning moves on the embargo as it would effectively confirm President Bush's accusations against him.

Whatever the outcome, Vietnamese officials are following the electoral process "very closely."

"Everyone believes the results will be closely linked" to the lifting of the trade embargo and the normalisation of relations, an official noted.

The US severed relations with Vietnam at the same time as it imposed the crippling trade embargo—when communist forces took what was then Saigon on April 30, 1975.

Mrs Ho The Lan, the Vietnamese Foreign Ministry spokeswoman emphasised that the US private sector is keen on the removal of the embargo.

"I think US businessmen also wish for the lifting of the embargo," she said.

"When the embargo is lifted they will enjoy the same freedom to do business" as their counterparts from Japan and Singapore," she pointed out.

Japan now ranks seventh among foreign investors in Vietnam, though Japanese investments are expected to increase dramatically after the lifting of the US embargo which so far has deprived Vietnam of Japanese official development assistance (ODA).

In the meantime, Singapore which had once been a vocal critic of Vietnam's military occupation of Cambodia has aggressively expanded trade with Vietnam in recent years and now emerges as the socialist country's biggest trading partner, with two-way trade estimated at US$1 billion this year.

Another informed Vietnamese source said a number of US companies had reached unofficial agreements, that he likened to memorandums of understanding, for dealings in oil and natural gas.

"These will be able to take off right away after the embargo is lifted," he added.

US businesses are barred from investing in Vietnam under the embargo but despite this, US companies have arrived in Vietnam but "they have entered in a zigzag way," he added, quoting former Singapore prime minister Lee Kuan Yew.

The same official said US businessmen were in possession of information and documents on specific exploration areas. "We hope that with their technology, they will help us to have oil faster," he added.

How is Vietnam preparing to cope with this anticipated new "economic boom" at a time when existing foreign investors are complaining about infrastructural constraints, unclear and inadequate laws plus bureaucratic red tape?

In the words of one official, the recent re-election of Prime Minister Vo Van Kiet and the election of Phan Van Khai as his deputy are "guarantees" of the continuation of Vietnam's reform policy of Doi Moi, which was adopted in 1986.

To boost the trend, the constitution gives the prime minister "more rights, more independence" in decision-making as the "highest authority in government."

Previously the prime minister was chairman of the council of ministers.

The re-election of the reform minded prime minister has reassured planners that the country can now go on to the next stage of economic advancement.

Stage I began with the launching of Doi Moi. "Stage II will start with the lifting of the US embargo," an official said.

A number of "long-term schemes" are said to be in the pipeline for the "economic boom" of so-called Stage II.

They include the setting up of export processing zones in different parts of the country and the implementation of several large scale infrastructural projects, a senior official said.

Of these, energy-generating projects enjoy the highest priority, he noted.

These include the installation of a new, massive hydro-powered energy station at Son La. Designed to produce over 2,000 megawatts, it will be substantially more powerful than the 1,400 MW station at Hoa Binh further south.

An international bid will to be invited for the project, or which a number of feasibility studies have already been conducted. A long term goal is to sell surplus supplies to China, the official said.

Another energy-related project calls for the upgrading of coal mines which would benefit not only the export market but also domestic consumption—in order to stop the depletion of forests by villagers in need of firewood.

Other infrastructural projects envisaged include the upgrading of Highway 5 linking Hanoi with Haiphong and the "reunification railway" linking the northern and southern parts of the country.

The 100-km Highway 5 needs to be upgraded at the estimated cost of US$1 billion. Australia has been asked to help finance the rail link the official said.

Otherwise, Central Vietnam has "good reserves" of bauxite for processing into aluminum which require hydro and thermal power stations.

The modernisation of Hanoi Airport and the setting up of a high voltage transmission line between Hanoi and Ho Chi Minh City add to a list of "hundreds" of projects being considered by the government, the official said.

Vietnam has managed to attain "self-sufficiency" through the embargo, he said. But without capital, without loans from multilateral lending institutions like the World Bank and the International Monetary Fund, the Vietnamese economy cannot achieve a boom, he added.

### Vo Van Kiet on Thai Relations, Joining ASEAN

*BK2610032192 Bangkok BANGKOK POST in English 26 Oct 92 p 1,3*

[Report on interview with Vo Van Kiet, prime minister of Vietnam, by BANGKOK POST team comprised of editor Phaisan Sicharatchanya, assistant editor Wira Prathipchaikun, senior writer Anurat Maniphan, and senior photographer Oran Chongkunstitchai in Hanoi "last week"]

[Text] Hanoi—The identification of overlapping areas in the continental shelf for joint exploration is one of the two "outstanding problems" between Thailand and Vietnam, Vietnamese Prime Minister Vo Van Kiet told the BANGKOK POST.

The other outstanding problem concerns the disputed maritime border in "areas of the sea southwest of Vietnam," he said.

But he expressed confidence that these problems could be resolved "in a spirit of mutual understanding" existing between the two countries.

He welcomed Prime Minister Chuan Likphai's stated policy to continue Thailand's friendly relations with Vietnam, which gradually improved since the Vietnamese prime minister came to Bangkok last October as part of his ground-breaking trips to ASEAN.

Mr Kiet made the comments to a BANGKOK POST team led by editor Phaisan Sicharatchanya, and comprising assistant editor Wira Prathipchaikun, senior writer Anurat Maniphan and senior photographer Oran Chongkunstitchai who were in Hanoi last week for the formal launching of the BANGKOK POST bureau, of which Miss Suphaphon Kanwerayothin was appointed bureau chief.

Thailand and Vietnam lay rival claims to areas of the continental shelf they share in the Gulf of Thailand. A first round of talks on the issue in Bangkok in September saw the two countries agreeing to the principle of joint development of overlapping areas.

"We agreed that we should carry out negotiations and identify areas that overlap for joint exploration," Mr Kiet said.

"We have agreed on the principle that the area identified would be the area that the two countries would not demarcate but will have overlapping claims," he said.

"And joint cooperation in this area would be to explore for oil for joint exploitation between the two countries or through cooperation with a third country," he added.

"In the meantime, we will try to define the border between Vietnam and Thailand, to have a clear-cut demarcation," he said.

The disputed area is believed to be rich in oil, gas and other minerals.

The September discussions were led by Deputy Permanent Secretary for Foreign Affairs Suchinda Yongsunthon and Vietnam's Ambassador to Thailand Nguyen Trung.

Plans then called for follow-up talks to be held in Hanoi next month.

Thailand initially wanted the boundary issue to be settled first but saw that legal problems likely to be raised could make it a time-consuming process.

A senior Thai official then pointed out that it took a total of 13 years for Thailand and Malaysia to settle their maritime boundary dispute.

The Vietnamese prime minister noted there had been "improvements" in "many fields" of Thai-Vietnamese relations over the past year.

He said these included exchanges of top-level visits: his first visit to Thailand in October 1991, former prime minister Anan Panyarachun's return trip to Hanoi in January and his unofficial visit to Pattaya in July.

Prime Minister Kiet came to Thailand last October on the first stop of a three-nation ASEAN tour. He later visited Malaysia and Indonesia.

In the interview last Thursday, he hailed the decision of the new government of Prime Minister Chuan to continue the foreign policy direction of its predecessor.

"It is heartening for us to see the new prime minister and the new government of Thailand continue to refine and develop further Vietnam-Thailand relations in the same manner as proceeded by the former prime minister Anan administration," he said.

"We are very encouraged by this continuation of Thai foreign policy," he said.

The Vietnamese prime minister opted to "turn over the past" when asked to comment on possible difficulties that might develop in bilateral relations as a result of a Thai foreign minister with a well-known anti-Vietnamese record.

He pointed out that it was not only Thai officials but also those of other regional governments that had adopted anti-Vietnamese attitudes in the past.

"You all know the attitude adopted by His Excellency Lee Kuan Yew (former Prime Minister) of Singapore," he said.

Singapore was vocal in condemning Vietnam's occupation of Cambodia during 1979-1989. The country however traded with Vietnam throughout the period and has this year emerged as Vietnam's biggest trading partner.

"But we have agreed that we should turn over the past and explore possibilities for further cooperation," the Vietnamese prime minister added.

"When we meet now, far from recalling the past, we discuss cooperation between the two countries in a friendly and interesting manner," he said.

As far as Thailand is concerned, the policy statement of Prime Minister Chuan, which is seen as representative of his government and people, should make for "favourable conditions," not difficulties, he said.

He said he had agreed, during a meeting with former prime minister Anan in Pattaya last July, to contribute to build up further cooperation and confidence between the two countries.

He pointed out that good relations between Thailand and Vietnam were "significant" to stability in the region as well as in the interest of the two countries.

He emphasised the same point in written replies to questions submitted by the BANGKOK POST.

The "development of friendship and cooperation between Vietnam and Thailand is a requirement which serves the interests of the two countries," he said.

It also "contributes to consolidating peace and stability in the region, and responds to the common desire of all Southeast Asian countries to create an environment of friendship, undertstanding and mutual trust, cooperation for the development of their respective country and the prosperity of Southeast Asia."

"I welcome recent statements by H.E. [His Excellencyt] Mr Chuan Likphai, Prime Minister of Thailand, and other senior leaders in the new Thai Government expressing the desire to develop further the friendship and cooperation with Vietnam," he went on.

"I hope bilateral relations between our two countries will be favourable and long-term," he said.

"We have a lot of conditions to broaden our cooperation in various fields: economic, cultural, scientific and technological... that benefit not only our two countries of Vietnam and Thailand but also all countries" he added.

"We should do our level best for the fine relations between Vietnam and Thailand," he said.

Vietnam acceded to the 1976 Treaty of Amity and Cooperation, which is effectively ASEAN's "peace charter", and became an observer of the now six-nation grouping in July.

Asked for a time-frame for Vietnam's full membership of ASEAN, the Vietnamese prime minister stressed that understanding and mutual trust between the present member states and Vietnam were "most important."

"Mutual beneficial cooperation" would be "complementary" and "work two ways", he said. "Vietnam's interests are also the interests of other countries in the region," he said.

A senior Vietnamese Foreign Ministry official explained that Vietnam's integration with ASEAN will be a time-consuming process owing to difference in political ideolagy and economic systems at present.

"It is not easy.... It takes time to harmonise economic, political and security matters," the official said.

He noted however that it is the common aspiration of both sides—namely Vietnam and ASEAN—to work towards the goal of harmonisation.

The official said Vietnam has to "fill the gap" especially in its level of economic development before it can be come a full-scale member of ASEAN.

"Vietnam's economy is lagging behind," he said. "Vietnam has to help itself in filling this gap but ASEAN countries can also help by providing technical assistance and investments."

He added that although the economies in ASEAN are far ahead of those in Vietnam, there are similarities between the two sides.

"There is plenty that we can learn from ASEAN, we cannot do the same in the case of Japan, the United States or European Community," he said.

The official added that both sides will continue to build mutual trust and confidence and at the same time develop cooperation in the collective assessment of the region's problems.

### Khmer Rouge Said 'Sabotaging' Peace Process

*BK2410133792 Hanoi Voice of Vietnam in English 1000 GMT 20 Oct 92*

[Text] After their [word indistinct] the UN leaves the door open for the Khmer Rouge to take part in the peace process in Cambodia. Mr Yasushi Akashi has also urged the Khmer Rouge to take the opportunity. However, the Khmer Rouge seem not to take advantage of the opportunity. They resort to all means to prevent UN efforts in the peace process. This is evidenced by their continued military activities in Cambodia. Last week they destroyed two bridges linking the northern area and Phnom Penh. They also killed many civilians. AFP correspondents reported that the Khmer Rouge are deploying their forces in Kampot City, about 150 km south of Phnom Penh. Meanwhile, the Khmer Rouge (?go on) about the so-called Vietnam stepped-up military activities in Cambodia. Public opinion believes that this is a sheer fabrication because Vietnam completely withdrew from Cambodia in 1989. In fact, the Khmer Rouge have no evidence to support their allegation. They are determined to ignore the truth and sling mud at Vietnam to cover up their military activities, sabotaging all efforts of the UN and other countries in the peace process in Cambodia.

## Radio Condemns Khmer Rouge Allegations

*BK2410140592 Hanoi Voice of Vietnam in English 1000 GMT 21 Oct 92*

[Text] It is certain that the Khmer Rouge will not be able to provide evidence to back claims as requested by General John Sanderson. In reality, this is not the first time that responsible officials of the UN Transitional Authority [UNTAC] in Cambodia put forward such a request. For more than a year since the signing of the Paris agreement on Cambodia the Khmer Rouge have many times claimed that Vietnamese forces remained in Cambodia. However, when asked to provide evidences, they either keep silent or avoid anserwering the question. The same thing happened this time; however hard they try they will certainly not find any concrete evidence. Vietnamese troops had completely withdrawn home in 1989 and this has been acknowledged by the world public. Even Prince Norodom Sihanouk affirmed that there is not a single Vietnamese soldier remains in Cambodia. Speaking in Phnom Penh on Monday Gen. John Sanderson said so far UNTAC has found no Vietnamese soldiers in Cambodia despite having sent out mobile investigation teams and set up extra check points on the Vietnamese border. That's the fact. The Khmer Rouge keeps ignoring and using the outdated allegations. These are only pretexts against Vietnam and sabotage the time-honored friendship between Vietnam and Cambodia.

## Sovereignty Over Tu Chinh Reef Reaffirmed

*BK2710025892 Hanoi Voice of Vietnam in English 1000 GMT 26 Oct 92*

[Text] In its article Monday, the national daily NHAN DAN observed that the Tu Chinh Reef belongs to Vietnam's sovereignty as it is situated inside the continental shelf, a special economic zone of Vietnam. Our radio brings more details of this article:

Tu Chinh is an area comprising several small reefs lying in Ba Ria-Vung Tau Province in south Vietnam. Fifteen years ago the Vietnamese Government made a statement elaborating that Vietnam is fully eligible to prospection, exploitation, protection, and management of all her natural resources—bio or nonbio—whose habitats are in Vietnamese continental shelf. This statement fully corresponds with regulations stipulated in the UN Convention on Sea Law issued in 1982.

According to international law, the Tu Chinh group of reefs is part of Vietnam's continental shelf and exclusive economic zone in which Vietnam is authorized to explore and tap its natural resources including oil and gas. No one else is allowed to take similar operations without Vietnam's agreement. This has been acknowledged by the world's public. The Japanese newspaper NIHON KEIZAI SHIMBUN writes that the Tu Chinh Reef is located in Vietnam's 200-mile economic zone. At the sixth Asia-Pacific Roundtable Conference Professor Valencia of the U.S. East-West Center pointed out that the Tu Chinh is the continuation of Vietnam's continental shelf.

In recognition of its right to sovereignty, in 1989 the Vietnamese Council of Ministers decided to rebuild some floating houses of the reef in Vietnam's continental shelf in order to lay the groundwork for the establishment of an economic, scientific, and technological complex called Oil and Gas Zone No. 1.

Research activities have been underway in the zone to navigate Vietnamese and foreign vessels in the area which have been acknowledged by the world. There also are experts from the [words indistinct] concerning Vietnamese sovereignty over the Tu Chinh Reef and [words indistinct].

## Do Muoi Addresses Youth Congress 15 Oct

### Part One

*BK1810082592 Hanoi Voice of Vietnam Network in Vietnamese 2300 GMT 15 Oct 92*

["Part one" of speech by party General Secretary Do Muoi at 15 October Hanoi opening of the Sixth National Youth Union Congress—read by announcer]

[Text] Dear Comrade Pham Van Dong and Comrade Vo Chi Cong, advisers to the Communist Party of Vietnam [CPV] Central Committee; delegates to the congress; distinguished guests:

On behalf of the CPV Central Committee, I warmly welcome you, delegates, to the Sixth Ho Chi Minh [HCM] Communist Youth Union Congress, and through you, I would like to convey my cordial regards to all youths, teenagers, and children nationwide as well as to Vietnamese youths now working, studying, or living abroad.

I warmly welcome the leading comrades of the party, the state, the Fatherland Front, and other mass organizations; representatives of mothers of heroes; and representatives of teachers, writers, artists, and scientists present at this congress.

For those participants of my age who have passed their hectic years of youthfulness, their presence here is a beautiful symbol of the continuity and succession between various generations in our nation's process of growth. Their presence also reflects the sympathy and responsibility of the entire society for the country's contemporary youths.

My cordial regards also go to the international guests present at this congress. Your presence shows the friendship and solidarity of the world youths for Vietnam's youths and serves as a source of encouragement for us in our cause of national construction and defense.

Dear comrades, the history of our nation shows that in all stages, our youths, imbued with a determination to make progress, with great hope, and with ardent patriotism, have always taken the lead in meeting the country's demands.

Early in this century, while we were languishing in those long nights of enslavement under the colonialist and feudalist ruling yoke, it was the youths who were sensitive enough to wake up to the historical and contemporary trend. Vietnamese youths gathered under the Like-Minded Revolutionary Youth Organization founded by President Ho Chi Minh long before the the Communist Party of Vietnam was founded. Since then, our country's youths have, one generation after another, successively followed the path charted by our party and Uncle Ho. They have grown up in combat and made sacrifices for regaining and preserving their independence and freedom. They have been, and are, struggling tirelessly to build a peaceful, independent, unified, democratic, prosperous, and powerful Vietnam.

The party, the state, and the compatriots nationwide always have their confidence in their shock force, namely, the younger generation, which abounds in potential. Having confidence in youths means having profound confidence in the future of the nation. Whether our country is up or down will depend primarily on youths. The history of the country and the performance of the youth union and younger generations in our country over the past 60 years or more testify to this fact.

Born and raised in the revolutionary movement, the HCM Communist Youth Union organized and directed youths to develop their revolutionary enthusiasm, creativity, and intelligence and to join the people nationwide in achieving glorious results in the long, yet victorious struggle, full of sacrifices and hardships. This was a source of pride for our youths and our nation as a whole. This was also the continuous development of the indomitable and heroic tradition of our forefathers and also the fruit of the solicitous care and education given by our party and Uncle Ho.

Over the years, youth union members and teenagers in our country have tried hard at work, study, and training, thereby making active contributions to the cause of renovating, building, and defending the fatherland.

The fine nature and tradition of youths continue to be promoted and new changes for the better have been noted. In various fields of activity, there have existed young talents and good examples of youths fighting bravely, working selflessly, and trying to overcome ordeals and difficulties in fulfilling their duty toward the country, and stabilizing and improving their own lives and the well-being of their families.

There have been many movements such as the Movement To Be Worthy of Uncle Ho's Soldiers, the Movement to Carry Out Uncle Ho's Three Teachings, the Movement To Unite the Three Categories of Forces, the Movement To Repay The Meritorious Deeds [of war invalids and fallen heroes], the Movement To Excel Oneself in Production and Business, the Three-Objectives Movement—Population, Health, and Environment; the Movement To Apply New Scientific Advances and New Technologies for Increased Production Output and Better Product Quality, the Movement for Good Academic and Scholastic Activities, and the Teenagers' Movement To Safeguard the Rail Line That Runs Through Their Native Villages. All these concretely reflect the efforts of youths and teenagers in our country to make their realitic contributions to the renovation process.

On behalf of the party Central Committee, I would like to warmly commend our youths and the Ho Chi Minh Communist Youth Union, as well as our teenagers and children and the Ho Chi Minh Vanguard Teenager Unit, for these outstanding achievements. However, great difficulties and challenges remain in the days ahead. The youth union and youths still indicate many weaknesses. Faced with the new situation, the activities of the union are still embroiled with confusion, its organizational system and contingent of cadres remain weak, and its role and position in the political system and among youths are being reduced.

Meanwhile, efforts have not yet been made to renovate youth-related work in a way that suits the actual situation and satisfies the needs and aspirations of youths, and energetic and practical measures have not yet been adopted to rally youths to initiate an extensive and highly effective youth movement for emulation in national construction and defense.

A number of youths have shown signs of erroneousness in terms of ideals and lifestyle. They adopt an indifferent and irresponsible attitude toward society and shirk work and the duty to defend the country. Another number of youths only know how to clamor for the right to enjoy life. Apart from living selfishly, without discipline, and even in disregard of the law, these youths trample on justice and human conscience. These are matters of concern to every family and our entire society.

What should the youth union, party committee and administrative echelons, and families do to enable all of our youths to undergo training, make contributions, and develop themselves in the new stage at present? That is the question to be solved by all of us as we give our undivided attention to it in the days ahead.

Dear comrades, our youths are now confronting a colossal and glorious task, that is, to join the people nationwide in carrying out the renovation process with the aim of making the people prosperous and the country powerful; building a healthy and civilized society; and firmly defending national independence, sovereignty, and territorial integrity.

To be able to fulfill this task, Vietnamese youths—whose core is the HCMCYU—must equip themselves with hope, intellect, and revolutionary ethics and will. Great hope constitutes a typical aspect of youths.

Faced with the loss of their country and the disintegration of their families, youths of the past generations used their great hope and ideals, along with the sacrifice of all their youth, to help liberate the country and people from the yoke of slavery. It is also because of their great hope that youths of the succeeding generations sacrificed their lives for the cause of national salvation and were determined to regain and firmly defend national independence and sovereignty.

Youths of the present generation, especially members of the communist youth union, must know how to combine the effort to seek a better life for themselves and their families closely with the strong will to build a prosperous, powerful, and civilized country and bring about an abundant and happy life for the people as Uncle Ho always wished.

Victories over hunger, illiteracy, and foreign aggression—which had been called for by Uncle Ho since the August 1945 Revolution—now remain a heavy responsibility for all of us. Responding to Uncle Ho's call, youths must take the lead in building and developing the economy; expanding culture, defending the country, firmly safeguarding national independence, sovereignty, and territorial integrity; heightening vigilance against all schemes and tricks of peaceful evolution by various hostile forces; and ensuring a peaceful life for the people to make a living in security.

Our nation is equipped with an age-old culture, ardent patriotism, and an indomitable will, and our Vietnamese people are hard-working, intelligent, and creative. The historic mission for our people and youths is to strive to extricate the country from backwardness and proverty forever, make the people prosperous and the country powerful, encourage the people to enrich themselves legally with the law along with abolishing hunger and proverty, improve the people's health and intellectual standard, and realize social justice. According to Ho Chi Minh thought, this is the great hope and also the paramount duty of every youth toward the people and country.

As we are all well aware, the world is witnessing extraordinary progress and great achievements of the scientific and technological revolution. In view of this, to fulfill the aforementioned hope, it is necessary for us to sharpen our intellect. This is an imperative necessity for all of us, especially youths. Only by sharpening our intellect in all aspects—cultural, scientific, technical, and managerial—can we be able to satisfy the needs of our country and times.

We rejoice at the great intellectual potential of the Vietnamese people in general and Vietnamese youths in particular. We also rejoice at the many good examples of study and the shining, admirable talents that have emerged from among our youths. Better policies that give incentives must be formulated to develop to a high degree that potential in order to serve the interests of our country and people.

### Last Part

*BK2610105592 Hanoi Voice of Vietnam Network in Vietnamese 0500 GMT 16 Oct 92*

["Remaining part" of speech by party General Secretary Do Muoi at 15 October Hanoi opening of the Sixth National Youth Union Congress—read by announcer]

[Text] The present generation of Vietnamese youths were born and brought up during the Ho Chi Minh era. They have great pride in this because they can learn from the good examples of President Ho Chi Minh's life and ethics. President Ho Chi Minh always placed the people's interests above all other things. He had but one earnest wish: to gain independence for the nation, freedom for the people, a bountiful life for our countrymen, and good education for our children. He helped develop the fine character and revolutionary ethics of the Vietnamese revolution. He also promoted our nation's traditional values such as a close family relationship, patriotism, altruism, and steadfastness. President Ho Chi Minh himself possessed all these characteristics and ethics. As a result, he is a symbol for all cadres and party members to follow in his footsteps.

At present, however, while we have many good examples derived from President Ho Chi Minh, we also experienced an ethics degeneration not only among the youths, but also in a segment of our adult population. While our country is shifting to the market economy, we cannot avoid experiencing various complicated issues. As a result, efforts to maintain our traditional characteristics and ethics and to oppose reactionary and decadent culture are essential, especially for our youths and teenagers.

To extricate our country from the current socioeconomic crisis, we must strive to enhance our revolutionary ethics to a new level. It is necessary for our people to act and take responsibility to fulfill the citizen's obligations, to abide by the law, to observe social order and discipline, and to maintain healthy relations, affection, and honesty in our families and society.

Youths must be an assault force in discovering and opposing corruption, embezzlement, waste, smuggling, tax evasion, counterfeiting, and other social vices.

To carry out these tasks satisfactorily, on the one hand we must seriously deal with violators, while on the other hand we must attach importance to educating and enhancing morals among our population strata and youths. We must urge all citizens and youths to seriously implement the Constitution and state law, strengthen our tradition of altruism to live and to help people in our society satisfactorily carry out diligence, thrift, honesty, righteousness, and impartiality as taught by Uncle Ho.

Our fatherland is calling for youths to uphold their revolutionary spirit and impetus. To achieve this aim, we must implant idealism in the minds of our youths. It is necessary to say that only with an ideal goal will we be able to fulfill our great cherished dream. As you comrades are well aware, the present international situation is very complicated and socialism in many countries is undergoing great ordeals with serious losses. However, we are firmly convinced that a new and more beautiful society will emerge to replace the old one which is fraught with injustice and oppression. The socialist objectives and ideology are in conformity with the people's aspirations and the evolution law of history. It is the path leading toward a prosperous, beautiful, modern, just, and brotherhood society—a society imbued with humanism that can guarantee human values, dignity, and freedom. To achieve this goal, we must strive to enhance our unyielding revolutionary impetus. It is necessary to say that with strong determination and great efforts we can level mountains and make rivers shallow. At present we may have numerous difficulties and ordeals at the individual, local, and national levels, but we must strive to absolutely overcome them.

We must adapt ourselves in all circumstances by taking the national impetus as our own willpower to fulfill all tasks. To build an independent, peaceful, prosperous, beautiful, firm, strong, and civilized nation—a law-governed nation with peaceful order and discipline—we must strive to enhance our capabilities, strengthen the revolutionary spirit of our people and youths, and uphold our strong determination to fulfill all tasks.

Dear comrades, with the above-mentioned issues, we must pay special attention to satisfactorily resolving various pressing problems related to the interest and role of our youths in society. One of the most serious problems is unemployment. Our youths, their families, and the whole society worry about the unemployment issue. It is not only an economic issue, but also a social and political problem. Realizing the seriousness of this problem, we have formulated a major plan to resolve the issue on a nationwide scale. Already, we have scored a number of encouraging achievements in this regard. However, we still have to make greater efforts to achieve our goal. We must pay special attention to creating more jobs for our youths while providing close guidance to resolve the unemployment problem. For the youths, they must be active in realizing social requirements, strive to enhance their professional skills, help create more jobs for others, strictly practice thrift, and motivate other people to do the same to save money for investment, thereby contributing to promoting production, increasing income, and improving the people's daily life. They must also positively participate in implementing the renovation undertaking to make the people rich and the nation strong. Moreover, efforts must be made to promote cooperation between agencies concerned and mass organizations and to seek contributions from all people in society.

To resolve this significant issue, we must expand state investment in various fields while formulating concrete plans to encourage economic development programs and create more jobs to optimally exploit our people's energy and intelligence.

It is necessary to mention here that other social activities such as building sports complexes, cultural houses, libraries, and theaters as well as the promotion of tourist activities, are really necessary to provide opportunities for the younger generation to develop in a healthy fashion. At present, there is a tendency of deteriorating physical fitness of our youths and children. As a result, we must strive to overcome this issue with efforts contributed by various sectors, echelons, and people in society, especially the HCMCYU and its related organizations. The HCMCYU must formulate a concrete and practical program of action to carry out its tasks and to create new movements and campaigns to promote agro-industrial production and business activities. Already, it has formulated plans to plant trees on 10 million hectares of bare hills, exploit the maritime product economy, and help apply scientific-technological innovations to production and business. To carry out these plans, the HCMCYU and its members must act as an assault force and must provide close guidance to fulfill the task with coordination from the state, society, and families.

We are pleased to note that special attention has been made to strengthen the youth activities by the government and the Ninth National Assembly. This has created a favorable condition for the implementation of the HCMCYU's program of action.

Dear comrades, the Communist Party of Vietnam, in its general policy towards the younger generation, has stressed the significance of building the HCMCYU. During the past several years, the HCMCYU has maintained its close association with various social activities. It has formulated new plans and activities to participate in the general tasks of the nation while striving to protect the interests of its members and youths. Many initiatives made by the HCMCYU have been included in the policies of our party and state, and some have become extensive and far-reaching programs of action. These are, indeed, welcome achievements. However, we must admit that the HCMCYU is still facing numerous shortcomings and weaknesses. The first point I would like to make is that efforts must be made to enhance the quality of its members. HCMCYU members must be dynamic persons who have a good political background, lead a healthy life, and possess a clear concept in ideology and action. This quality is very important because it is in close association with the efforts to strengthen the party building task and to improve the quality of party members in the new situation. All units of the HCMCYU must formulate plans to educate and train their members to help them better understand the situation of the nation, the policies and lines of the party, and the state law, thereby helping them enhance their political background.

To educate and train youths to help them become party members is the task of the HCMCYU. Various party committees and basic party organizations must strive to help the HCMCYU satisfactorily fulfill this important task.

We do not demand that youths who become party members be absolutely excellent in all aspects. However, it is a requirement that party members are those who have a correct political concept, who are able to set good examples for the others, who are very keen in educating and training, and who have the support of other youths.

Along with making efforts to improve the quality of HCMCYU members, it is also necessary to understand clearly that the HCMCYU is not a separate organization having nothing to do with youths from all walks of life. Instead of alienating themselves from their peers, youth union members should strictly implement state laws and party policies and lines, as well as set good examples in the workplace and everyday life for other youths, teenagers, and children to follow. The HCMCYU must reach out to the youth movement and must rally youths of different social classes and strata in the great solidarity bloc comprising youths who are workers, peasants, college students, intellectuals, or members of the Armed Forces; who belong to different ethnic groups or religious organizations; or who live at home or abroad. It is necessary to promote cooperation with youth organizations in the region and other parts of the world. Solidarity among youths is an indicator of the all-people solidarity bloc that Uncle Ho has painstakingly fostered.

Our party has entrusted the HCMCYU with the heavy task of educating youths, teenagers, and children, thus positively contributing to securing the future of the nation. This undertaking also calls for efforts on the part of the party, state, mass organizations, schools, teachers, and parents and grandparents. Only through the joint efforts of our entire society—in which the union assumes a key role—can the education of youths, teenagers, and children be crowned with success.

Along with motivating youth union members and youths as a whole to work and contribute their share, youth union organizations must be sensitive to those issues relating to the interests of youth union members and youths as a whole. Practical steps must be taken to look after and protect the legitimate interests of the young generations. It is necessary to pay attention to and use the interests, demands, aspirations, and capabilities of the young generations to work out appropriate activities to motivate everyone to perform deeds which benefit both the nation and people.

Dear comrades: The political system of the entire society must assume a very serious responsibility if it is to help the HCMCYU fulfill its role, expand its activities, rally and educate the young generations, and overcome its own shortcomings and weaknesses.

The party attaches utmost importance to youth-related issues. The Political Bureaus of the party Central Committees, fifth and sixth terms, have issued resolutions on youth-related work. Our party has taken steps to renovate its theoretical and practical concepts on youths and youth-related work.

Through self-criticism, the Communist Party of Vietnam [CPV], first of all, the party Central Committee, the Political Bureau, and the Secretariat, have recognized that they have failed to attach due importance to leadership over the implementation of youth-related work, that they have issued resolutions but have not yet provided good guidance over their implementation, and that many issues have not yet been included in policies and programs set forth by the state and echelons and sectors. Based on current facts, the party will review the results of the implementation of Resolution 25 adopted by the Political Bureau of the party Central Committee, sixth term, and will use those findings to perfect party policies and lines on youth-related work.

Continued efforts are needed to improve the contents of the guidelines for implementing youth-related work by party committee echelons from the central down to the grass-roots levels. Instead of handling problems on a case-by-case basis as before, party committee echelons must work out all-inclusive youth-related programs of action and must give first priority to youth union-building activities and improving the quality of youth union members, bearing in mind the need to link youth union-building activities with party-building work.

In addition to those party members in charge of special tasks, the party must assign party committee echelon-level cadres and a number of party members to oversee the implementation of normal youth-related activities, thus helping the party maintain regular contacts with the HCMCYU and its members, as well as with youths as a whole, and assisting party committee echelons in the implementation of their own youth-related action programs. Many important contents of youth-related work must be worked out by the sectors concerned like the education, public health care, culture, labor, national defense, and internal security services. As for state agencies, they should help coordinate the activities of the various sectors to implement common programs of action aimed at resolving social problems concerning youths, and should also work closely with the HCMCYU and other organizations of the Vietnam Youth Federation.

It is necessary for the central and local governments to work out a number of youth-related programs of action aimed at resolving the unemployment problems for youths, meeting youths' educational and recreational needs, and looking after the well-being of handicapped or unfortunate youths and children.

Dear comrades: The revolutionary undertaking of our entire party and people will continue to be rife with many difficulties and challenges in the days ahead. Nonetheless, many advantages and new opportunities still abound. We are determined to overcome difficulties and challenges, develop advantages, and make full use of good opportunities to build and defend the fatherland, as well as to bring about a bountiful life and a bright future for present and future generations.

Owing to its great honor and heavy responsibility, the HCMCYU must, along with Vietnamese youths of many generations, nurture great ambitions, sharpen its will, foster its ability, improve its ethics and quality, and constantly improve its background in all fields in order to turn itself into a fully capable and reliable force ready to carry on and complete the undertaking of their precedessors.

The fine achievements that youths have achieved in study, production, and fulfillment of their duties to the fatherland, society, and families are an indicator of their practical contributions to the implementation of the nation's immediate tasks and also lay the groundwork for the outstanding development steps of our nation and people in the days ahead. This should be the most fundamental issue that all of you here today must focus your discussions on, make decisions, and work out ways to implement them very satisfactorily following the conclusion of this congress.

It is my hope that the Sixth National HCMCYU Congress will outstandingly fulfill its duty. I wish the young generations in our country even greater achievements. I wish all of you, comrades, progress and happiness. Thank you, comrades and friends.

## Australia

### Government Denies Arming Papua New Guinea Forces

*BK2710054692 Hong Kong AFP in English 0140 GMT 27 Oct 92*

[Text] Canberra, Oct 27 (AFP)—Australia has denied reports that it was helping to train Papua New Guinean police in paramilitary activity for raids on secessionist Bougainville Island.

Questioned by reporters here Monday about an ABC television report that alleged that police were being trained to use M60 machine guns, Foreign Minister Gareth Evans replied: "I'm advised absolutely that that's not so."

He confirmed that 44 Australian advisers in Papua New Guinea [PNG] were dealing with mobile squads, police force administration, operational skills and computer systems.

But, he said, "M60s are not part of the armaments ever supplied to the police component, and certainly no training has been given, I am advised, by Australian officers—defence or civilian—in the use of such weapons."

The report, broadcast Sunday, followed the start of a new offensive by Papua New Guinea's defence forces against the only part of Bougainville still in rebel hands: the island capital Arawa and its surroundings.

The Bougainville Revolutionary Army (BRA) alleged that Australian-supplied Iroquois helicopters were used to transport troops to the outskirts of Arawa, where they have set up a base for what the government in Port Moresby says is the final phase of its campaign to regain complete control of the island.

The ABC report said that a former Australian army captain, Tex Howarth, had trained PNG police to use M60 machine guns for raids on the island.

The report also said Australian International Development Aid Board (AIDAB) money was being used for the training.

Evans said that after a June report by AIDAB on the advisory operation, the government decided it was no longer necessary to have Howarth involved in training.

"All I'm saying is that so far as the Australian role is concerned, it doesn't extend to training in the use of that quintessentially military weapon," he said.

Training provided by Australia was "appropriate" for a police squad set up to deal with civil disturbances, Evans said.

But he conceded that it was possible that police on Bougainville had returned to the PNG mainland "with ideas about their role which are quite inappropriate for the exercise of more obviously civilian functions back in PNG proper."

## Fiji

### South Pacific Commission Conference Opens in Suva

*BK2710062692 Hong Kong AFP in English 0617 GMT 27 Oct 92*

[By Philippe Perdriau]

[Text] Suva, Oct 27 (AFP)—Financial woes and problems over the selection of a new secretary general were the focus of discussions at the South Pacific Commission's 32nd ministerial conference which opened Tuesday in the Fijian capital.

After an opening address by Fijian Prime Minister Sitiveni Rabuka, representatives from 27 nations and territories heard the outgoing Secretary General Atanroi Baiteke say in his report on the past year that the commission's budget deficit was "under control."

But several countries, among them major donor nations, criticised Baiteke's assertion and the management of the organisation, founded in 1947 to improve cooperation in such areas as education, health and fishing.

Britain's representative at the conference, ambassador to Fiji Timothy David, said it was vital that the grouping improve its management, control its expenditure "with no restrictions" and review its priorities.

The commission, which provides assistance to 22 tiny island nations with a total population of just five million people spread across 30 million square kilometres (12 million square miles), had a deficit of 350,000 U.S. dollars in 1991 and has cut funding for some of its programs in recent years.

The organisation, based in Noumea, New Caledonia, is facing a leadership crisis with only one candidate, former president of Vanuatu Ati Georges Sokomanu, standing.

Baiteke, from Kiribati, has been interim secretary general since the death in March of his intended successor, Jacques Iekawe of New Caledonia, before Iekawe could take office.

Several countries oppose Sokomanu's candidacy, saying the organisation needs a manager to sort out its finances and not a politician.

Fiji had earlier presented a candidate, Jioji Kotobalavu, but he withdrew on being given a post in the Suva government.

Several delegations are planning to call for the appointment of a new secretary general to be put off and for an extraordinary session of the commission to be called for this purpose early next year to give time for more countries to submit candidates.

## New Zealand

### Minister Comments on U.S.-EC Gatt Talks Impasse

*BK2310053892 Hong Kong AFP in English 0443 GMT 23 Oct 92*

[Text] Wellington, Oct 23 (AFP)—New Zealand would keep fighting for free world trade despite a collapse in GATT talks, Trade Negotiations Minister Philip Burdon said Friday.

"I regard this latest major setback as a frustration, not a defeat, and New Zealand will continue to push for continued trade liberalisation in every market, at every opportunity," he said in a statement.

Technical talks in Brussels this week between the European Community and the United States in connection with a new General Agreement on Tariffs and Trade (GATT) broke down on Wednesday.

Burdon blamed France for the collapse.

"It appears that the EC, under pressure from France, has pulled back from a position we understand it had agreed to only 48 hours beforehand," he said.

Farming leader Owen Jennings said New Zealand would suffer in the fallout from trade wars that could follow.

Jennings, president of Federated Farmers, said the collapse was a "monumental scandal" which New Zealand producers would struggle to survive.

"The blame can be sheeted home to the arrogance and indifference of a very small sector of backwoodsmen in rural France, a few peasants who are holding the entire world to ransom out of self-interest," Jennings said.

Jennings said he was shocked that France, a country which purported to be a world leader, could resort to "such childish nonsense".

"Let it be on their conscience," he said. "If they have one at all."

## Papua New Guinea

### Bougainville Rebels Claim Government Casualties

*BK2410035492 Hong Kong AFP in English 0330 GMT 24 Oct 92*

[Text] Port Moresby, Oct 24 (AFP)—Rebel forces claimed Saturday to have killed five Papua New Guinea troops and hit a helicopter with machine gun fire in renewed fighting on Bougainville early Friday. Bougainville Revolutionary Army (BRA) spokesman Martin Miriori said the soldiers were killed in a major skirmish as Papua New Guinea forces attempted to reach the rebel stronghold of Arawa.

A four-hour battle, fought on the beach between Arawa and the Tunuru mission camp seized by Papua New Guinea forces on Wednesday, is said to have involved 50 troops and a similar number of rebels.

Miriori, speaking by phone from the Solomons capital of Honiara, said the Bell Iroquois helicopter, which was used during the attack to fire on BRA fighters, was hit when they returned fire. Black smoke seen coming from the helicopter indicated it could have been badly damaged, he added.

Miriori, who is relying on intermittent radio messages from Bougainville, claimed earlier that six Papua New Guinea troops had died and another nine had been killed in an attack, but in a second statement the toll was reduced. He said he had received no reports of BRA casualties in the latest hostilities. No independent verification of the claims were obtainable in Port Morseby and Papua New Guinea's Defence Minister Paul Tohian said he had no information to confirm or deny it.

A government spokesman said acting Defence Force Commander, Colonel Robert Dademo, had called for a full briefing on military activity since Tunuru mission was captured.

### Rebel Claims Denied

*BK2510063492 Hong Kong AFP in English 0552 GMT 25 Oct 92*

[Text] Port Moresby, Oct 25 (AFP)—Claims by Bougainville rebels that they killed five Papua New Guinea troops in renewed fighting on the island have been rejected by the government here.

Bougainville Revolutionary Army (BRA) spokesman Martin Miriori claimed the five were killed and a helicopter damaged by machine gun fire in a battle near the BRA stronghold of Arawa early Friday.

But Papua New Guinea's Bougainville spokesman Franzalbert Joku said Saturday the claims were "outright propaganda" and that only three troops received minor wounds in a skirmish.

One man received a bullet wound in the buttocks and was treated locally, and two others were evacuated for treatment for bullet wounds to the stomach and mouth.

The helicopter was not damaged during the mission involving an advance party sent to test the BRA's strength, Joku said.

The BRA claim by spokesman Martin Miriori followed Papua New Guinea's latest military push in which troops captured and set up a base at the Tunuru mission, three kilometres (two miles) from Arawa last Wednesday.

Papua New Guinea's Defence Minister Paul Tohian arrived on Bougainville on Saturday to see for himself what is happening and to receive a full briefing on current developments.

Appealling for calm, he said the security forces' main job was to make sure civilians were safe from harassment from BRA members.

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Consequently, increases in government spending must be financed in the form of an increased tax burden for the people. This is self-evident logic that is easily understood without the introduction of difficult economic concepts.

Nevertheless, this clear logic is not understood in many democratic countries under the current circumstances and the simple misunderstanding goes unchallenged that increased issue of government bonds (expansion of the financial deficit) is not financed by any burden on the people. Under democratic politics, politicians fight for the advantage in election campaigns by increasing transfer payments to increase the welfare of the people (social welfare expenses, etc.) and public works expenditures. They also try to respond to the demands of industries that are supported by government spending. On the other hand, they never mention an increase in taxes even though there is an increased issue of government bonds and the balance accumulates as a result. Moreover, the people tend to react with strong disapproval to policies of reduced government spending and increased taxes which immediately impact negatively on their own household finances.

Ultimately, our democratic society contains a politico-economic mechanism such that no one is considered responsible for the government's payment position and as a result, the financial deficit inevitably expands.

Especially, it has been subsequently statistically revealed by the analysis of William Niskanen (CATO Research Institute) that the people have an "illusion" about the financial deficit, so to speak, and do not perceive the increase issue of government bonds as a future increased tax burden.

It is a fact that the existence of a financial illusion was pointed out by many experts in the latter half of the 1970's when the need for financial reconstruction in Japan was advocated.

The important point is that a mechanism completely similar to the inevitability of a financial deficit in democratic societies that was pointed out by Buchanan and Wagner is also seen in the spread of protectionism in trade. Trade protectionism and the expansion of controlled trade based on that has a very negative effect on the economic welfare of consumers overall, as seen in the example of the aforementioned auto regulations.

On the other hand, short-term benefits are brought to some industries and corporations that have received protection, but those benefits are smaller by far than the benefit loss by the people overall. Nevertheless, a situation manifests itself where a so-called "illusion" exists with the general consumer not fully realizing the size of the benefits that he himself has lost.

Moreover, the industries and corporations who receive benefits normally develop strong political activities to adopt, maintain, and expand protectionism upon which their own existence hangs. Then, those who decide policy are bathed in the demands of specific industries who exercise strong political pressure to expand protectionism.

It can be said that the above mechanism of "democracy in protection" is a common trend in almost all advanced industrial nations. Among them, however, especially recently in Japan, it is believed that a special politico-economic mechanism is operating which accepts simple controlled trade. It must be pointed out that trade policy authorities who previously were supposed to promote free trade ultimately in recent years have strengthened controlled trade in the form of accepting U.S. demands.

### 3.2 Good and Bad Points of Bureaucratic Initiation

However, the tendency for financial deficits in democratic societies pointed out by Buchanan and Wagner now has become a serious problem in many nations of Europe and the United States. Germany, France, Italy and others all embrace huge financial deficits across the board, not to mention the financial deficit of the United States which exceeds 300 billion dollars, and the situation has emerged where there are no prospects for their settlement.

Among them, actually only Japan can be cited as a nation who has succeeded in financial reconstruction. Japan accomplished extrication from deficit bonds as anticipated in fiscal 1990 and already has continued to add to a surplus in the general government base (central government plus local government plus public pension funds) for some years before that.

Japan has become one of the few exceptions to the proposition that an automatic mechanism exists in democratic society which expands the financial deficit that was pointed out by Buchanan and Wagner.

How has Japan somehow accomplished financial reconstruction? It goes without saying that the foundation is probably that the various classes of people broadly perceived the necessity of financial reconstruction and did not begrudge an attitude of cooperation.

As a rather strong, direct factor, however, many people probably realize that the power of financial authorities in Japan is very great. Viewed economically, public finance is a method of accomplishing the inherent policy objectives of eliminating unemployment and stabilizing prices.

Consequently, the ability to make improving the payment position of public finance, which is a method, into a policy objective must be limited to very special cases. However, such essential debate has not been taken up on a full-scale by the Diet, to say nothing of the economic press. The campaign to reduce the deficit by financial authorities has come to hold great power over the past 10 years.

To begin with, in Japan there is almost no ability to draft any policy in the Diet which has the policy decision-making power, and there is great dependence on the

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planning of the bureaucratic organization which grasps vast policy information. It is a known fact that financial authorities hold strong real power in the creation of Japan's budget policy, and the reduction in annual expenditures has basically proceeded by initiation of the Ministry of Finance (MOF), even in financial reconstruction.

Ironically, Japan was able to achieve financial reconstruction because the bureaucracy resisted pressure from the Diet which was apt to get carried away with irresponsible expansion of annual expenditures and requests to lower taxes.

In a democratic society, the power to determine the budget strictly lies with the legislature. In Japan, however, we were able to accomplish financial reconstruction at an early date from the very fact that democracy has not been fully promoted in economic policy decision-making, looking askance at the many democratic countries of Europe and the United States.

On the other hand, of course, such policy decisions have disadvantages for the national economy. The lack of social capital in the process of financial reconstruction has been striking, and financial authorities continue to hold up financial reconstruction as the policy goal even though a great burden is being generated in the lives of the people. This has been entangled with re-expansion of the trade surplus in recent years and has produced problems at home and abroad.

In any case, an important point is that it cannot be said that a democratic process is fully guaranteed in policy decision-making in Japan, and this has advantages and disadvantages for actual policy decisions.

At this juncture, the possibility that bureaucracy-initiated policy decision-making will be disadvantageous in terms of the national economy by strengthening controlled trade must be fully realized concerning trade policy, which is different from the case of financial reconstruction.

One important problem point with general policy decision-making by the bureaucracy is that they are normally known to have an inclination toward trying to maximize their own "influence." It is believed that the strong leadership demonstrated by MOF in financial reconstruction, while judging that a decrease in the deficit was desired in terms of the national economy, was because the bureaucrats understood that they could expand their own influence in the process.

In fact, it is said that the power of the MOF bureaucracy in establishing budget draft policy has expanded on a large-scale having been given "the banner" of financial reconstruction by successive cabinets since the latter half of the 1970's. Similarly, the adoption of controlled trade based on various kinds of intervention in the market in place of free trade in trade policy will bring greater administrative power by far. The "banner" on that occasion will be the strong demands of the United States and improvement of relations with the United States. The U.S.-Japan auto agreement of January this year truly brought increased power to trade authorities in the form of complying with the demands of the United States. Of course, the Ministry of International Trade and Industry (MITI) probably did not agree to the procurement of auto parts and import of completed cars with the strong coloring of controlled trade in order to expand their own power. In regard to the establishment of trade policy, however, the government intervention through notorious administrative guidance, that had been heading toward reduction, clearly increased such as in corporate planning and policy guidance involving procurement of imports besides the auto agreement. In five or ten years, when reviewing the early 1990's, the historical evaluation probably will be accepted all the more that the strengthening of controlled trade and strengthening of their own power was brought about by bureaucracy-initiated policy decision-making.

When reviewing the large role played by MITI in the development of Japanese industry so far, the strengthening of market intervention based on a series of administrative guidance in recent years has to be considered a very regrettable measure.

### 3.3 Consumer Groups Symbolize the Uniqueness of Japan

Another important factor for the easy expansion of controlled trade in Japan is that a social mechanism does not fully operate to curb protection of various industries or government intervention related to them.

I. M. Destler of the University of Maryland points out in the book "Anti-Protection: Changing Forces in U.S. Trade Politics" that various social forces exist to oppose government intervention in a democracy.

Especially noted are the social roles of the media, which takes the position of representing the interests of the nation overall; of industry, which has the standpoint of being harmed by government intervention; and of the consumer, who normally is robbed of benefits by controlled trade. In Japan, however, none of these groups have become an effective counterforce to the controlled-trade measures of the government.

The Japanese media laid out an extensive reporting system day after day surrounding the Bush visit to Japan in January. The over-enthusiastic Japanese reporting surrounding U.S.-Japanese friction even became a topic of conversation now and then among those concerned with the U.S. media. When announcing the U.S.-Japan agreement concerning the auto problem, however, the tone of Japanese newspapers by no means developed strong opposition that, as controlled trade, it would bring great harm.

In contrast to almost all the so-called quality papers in the United States which harshly assessed the results of the Bush visit to Japan, the major newspapers in Japan

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considered it an inevitable choice under the present circumstances and ultimately, views affirming it occupied the mainstream.

The ones that carried editorials directly criticizing it from the standpoint of opposing controlled trade were the NIHON KEIZAI SHIMBUN and at most one or two other papers, and the criticism of controlled trade by other papers was only very mild. (See "Examining Editorials" in the April issue of this magazine regarding this point.)

Looking at the tone of Japanese newspapers at the time, there are many which advocated the need for "cooperation" and "co-existence" with the industries of other nations on the part of the Japanese auto industry, which has been intent on pursuing profits. It goes without saying that corporations themselves need to judge their own actions in the complex world market from a global viewpoint.

It is not believed, however, that because of that it is "an inevitable policy" that the Japanese auto industry should be forced to procure parts from the United States, not to mention contracting for the import of completed cars for which it is uncertain whether or not there is a will to promote them to other parties.

Unfortunately, much of the Japanese media only has grasped the situation as a two-coordinate axis of the government standpoint which emphasizes relations with the United States and the auto industry standpoint which aims to maximize profits. The issues of the interests of the consumer and the welfare of the national economy overall, which should be more of the basis for policy, have not been brought to the forefront.

The inherent role of the media is to represent the so-called invisible interests which may be slight individually, but are great for the nation as a whole. Anticipating that pressure for controlled trade will continue to increase, the responsibility borne by the media is important.

The second power that is expected to be an anti-protectionist power is the industrial world that directly suffers by intervention. In the analysis of Destler, cited above, this industry power itself is, in fact, positioned at the center of anti-protectionist power.

Speaking in regards to the U.S.-Japan auto agreement, this applies to the Japanese auto industry which has been forced to purchase and sell. To begin with, on the occasion of the January agreement, the auto industry, which emphasizes profit, is believed naturally to have expressed strong opposition. Moreover, it is a known fact among those concerned that trade authorities exerted strong pressure for this and tried to take the initiative in the U.S.-Japan negotiations.

As a result, however, the Japanese auto industry accepted the government demands and did not make any criticism of the government directly. It must be said that it is especially surprising that the heads of the industry have not developed any clear criticism of controlled trade from the agreement up until today.

Japanese corporations now are directly facing harsh criticism in terms of long-term sustained business dealings as represented by keiretsu. Much economic rationalization is involved in this such as bringing a maximum of profits from a long-term standpoint and making technical innovations possible.

The problem is that it is believed that Japanese corporations also have a concept of so-called long-term sustained business dealings in their relationship with the government. This fact also suggests the new possibility, as a general consideration, that the give and take between the government and industry will develop in a form that is not clear to the people and national interest will be harmed.

Furthermore, the role of the consumer is indispensable as the ultimate power to prevent the expansion of controlled trade. It must be said, however, that Japan has the most serious problem in this very aspect.

The consumer, who must be the most sensitive to benefits that are lost by controlled trade, in fact, does not function at all as a definite political power. It even can be said that the existence of actions by Japanese consumer groups who have continued to oppose liberalization of agricultural product imports now symbolize the uniqueness of Japanese society.

To begin with, the political power of the consumer is not that strong in any country. Even in the United States which by its own admission is a diverse society, it can by no means be said that the political power of the consumer now is large, and that is believed that have brought the trends of protectionism, isolation and controlled trade in that nation in recent years.

In spite of that, however, the weakness of consumer power in Japan, especially the weakness of policy views by what are called consumer groups, is striking. The majority of consumer groups are opposed to liberalization of rice which is in their own interest. Moreover, similarly, many consumer groups expressed opposition to the consumption tax which is in the economic interest of the consumer overall.

According to a questionnaire survey recently implemented by the author and others, many people make the harsh comment that Japanese consumer groups lack rationality and logic. If Japanese consumer groups had demonstrated against the Bush group visit to Japan in opposition to the auto agreement that seemed to ignore the interests of the consumer and at the same time, demonstrated against the Ministry of Agriculture, Forestry and Fisheries which is seeking liberalization of rice, wouldn't the contents of the U.S.-Japan auto agreement have been very different?

As stated before, the interests immediately lost by controlled trade, in many cases, are thinly spread among

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consumers overall. By repeated government intervention, however, there is a great possibility that there will be a great loss of benefits viewed over the long-term. Thus, the real issue hangs on the point of the wise consumer who somehow easily perceives "benefits that cannot be seen" and the consumer who does not.

### 4. United States and Japan and Danger to Democracy

### 4.1 Demise of "U.S. as Common Benefactor"

While socialist countries led by the former Soviet Union are all moving toward market economies, both the United States and Japan which are market economy superpowers are increasing their tilt toward controlled trade which ignores market mechanisms. It must be said that it truly is ironic that the politico-economic mechanism which is turning toward controlled trade like this exists within democracy itself.

What should both the United States and Japan do now to maintain market activity and support development of the world economy?

Just from the long-range viewpoint of preventing controlled trade, it is indispensable to provide macroeconomic conditions so that each nation, especially the United States, will not turn to such government intervention. In addition, as a rather immediate problem, the cultivation of social power to curb specific controlled trade pressure when it increases is considered necessary.

First of all, let us look at providing long-term macroeconomic conditions. As stated in the first half of this discussion, the real problem directly facing the United States is whether the standard of living of the people can be maintained in the future, or in other words, it lies with the sustainability of the economic status quo.

Reduction of the financial deficit of the nation itself and increased private savings are necessary for a fundamental solution to the U.S. sustainability problem. How difficult it is to reduce the financial deficit in a democratic society, however, is as has already been stated based on the Buchanan-Wagner argument. Whether good or bad, the United States is a nation which has provided model democracy in a textbook sense, and consequently, the elimination of the financial deficit has not progressed easily so far and the outlook for the future also is decidedly not bright. Moreover, the circumstances are that no persuasive prescription has been indicated for increasing private savings, even from a purely economic viewpoint.

Backed by their overwhelming economic superiority, the United States so far has come to lead the politics and economics of the world. They created the postwar GATT [General Agreement on Tariffs and Trade] and IMF [International Monetary Fund] systems and have made an effort to realize an expanded balance in the world economy based on reflections on pre-war conditions. Politically, they also have continued their military commitment to the world and made an effort to realize freedom and equality. One important side effect of that has been so-called human rights diplomacy. To begin with, since the history of the founding of the nation, the United States has positioned their own society as the "new world," and along with presenting political and economic concepts that have not been achievable by existing nations with a prolonged history, they have aimed at realizing them worldwide.

In a certain sense, the United States exists as the "common benefactor of the world" and various countries have been permitted a free ride for their own development. As already stated, this fact formed Japan's foreign policy of following in the footsteps of the United States. It can be said that the free and nondiscriminating trade system after the war was one of the greatest achievements brought about by the United States as the common benefactor.

Along with the demise of their overwhelming economic superiority, however, the United States as common benefactor now has greatly changed in character. Since the 1980's and especially as far as economic policy is concerned, the United States has pushed to the front its character as a single player in the world and protectionism and isolation have become an unavoidable trend.

A rather important thing is that the economic problems of the United States can be solved only by the efforts of the United States itself—reduction of the budget deficit and increase in private savings. Japan and the United States still greatly differ in economic scale. U.S. policy changes exert a great influence on the world, including Japan, but conversely, even though some policy changes—for example, changes in government spending policies or changes in duties—are conducted in Japan, they bring almost no real effect on U.S. economic growth or the foreign balance of payments. This "asymmetry" in the effect of U.S. and Japanese policy is confirmed by previous econometric analysis by the Organization for Economic Cooperation and Development (OECD) and analysis by this author and others as well.

Viewed this way, the only method to parry various protectionism pressures from the United States is to curb rapid increases in Japan's surplus together with lowering import restrictions represented by agricultural products, and undertake rather aggressively a correction in foreign and domestic price differences that are regarded as a symbol of the system distortion in the Japanese economy. These policies are inherently just policies that naturally should be implemented to increase the economic welfare of the people and are unrelated to outside pressure.

To repeat, the solution to the U.S. sustainability problem is believed to depend on the policy choices of the United States itself and unfortunately, improvement in that is not believed to be proceeding well. Consequently, now that there is the demise of the United States as the common benefactor, it is anticipated that pressures on Japan for controlled trade will increase. As the superpower second to the United States in gross national product (GNP) and moreover, as the nation that has benefitted the most by free trade, however, Japan must become a counterforce to controlled trade.

To do that, we must indicate as a fact that we ourselves are a nation deeply committed to free trade. Correction in the system distortion by liberalizing agricultural products and relaxing various kinds of regulations is a necessary condition for that.

The United States cannot eliminate the budget deficit because of political reasons, and Japan cannot realize the liberalization of agricultural products or relaxation of regulations because of concerns for domestic politics. The prompt turn toward strengthening controlled trade for the time being as a result must be termed a simple political compromise which has sacrificed the economic interests of the people.

### 4.2 Three Proposals for Opposing Controlled Trade

When the U.S.-Japan auto agreement was approved at the time of the Bush visit to Japan, many people indicated the reaction that "it was an inevitable choice under such circumstances." Unfortunately, such was voiced even among eminent economists who should fully understand economic principles.

To begin with, however, it must be said that the biggest problem in terms of policy is the very fact the a situation is permitted where Japan's trade surplus is rapidly expanding and on the other hand, liberalization of agricultural products has not proceeded at all. In that sense, Japan's implementation of policy from the mid- to long-term viewpoint previously stated is important.

In addition, based on the fact that an especially strong controlled trade promotion mechanism is operating in Japan, we must cultivate a social power to curb it.

Here, I would like to propose the three specific points below.

The first is the establishment of a round table by international corporations. Corporations who develop activities on a global scale generally are directly harmed by the adoption of control measures on trade. The concentration of political power by these corporations has great significance from the viewpoint of maintaining free trade.

On this point, the role of Japan which now has many global corporations is great. The round table should check various bilateral trade negotiations from a global viewpoint and furthermore, exercise a voice in multilateral negotiations such as the GATT Uruguay Round.

Secondly, as a proposal to the Diet and industrial world, there is the rejection of various controlled trade measures. The adoption of specific resolutions and declarations should be considered. It would be a resolution, so to speak, like a trade version of the three non-nuclear principles. Now that both the U.S. and Japanese governments are strengthening the tilt toward controlled trade and the anchor for maintaining free trade is disappearing, the public announcement of a policy list declaring what will absolutely not be adopted, or in other words, a "negative list," is believed to be significant in its own way.

Such measures, like the case of the aforementioned round table, decidedly have no guarantees that they will produce a big effect. To begin with, however, with the trade problems of today, it will be absolutely impossible for a measure to be carried out smoothly if this is done. Considering various possibilities, there is no way other than to prepare multiple policy channels.

If there are Diet resolutions and economic group declarations opposing controlled trade, that in itself can become a deterrent to protectionism in negotiations, and at least, there will be a greater benefit to the national economy than Diet resolutions opposing the liberalization of rice imports.

Third is to seek a new mechanism to concentrate consumer power that was touched upon before. Looking at examples from other countries, considerable difficulty is expected, but nevertheless, increasing the voice of the consumer to prevent controlled trade is indispensable.

Pessimism has been heard among experts well-versed in consumer economics that existing consumer groups are biased in their very thinking and it is impossible to represent the real interests of the consumer by activating them. Above all else, however, a dialogue is needed between policy experts and consumer groups which so far have hardly participated at all in international policy disputes.

It can be said that it is an important role of the media to prepare this ground. Furthermore, individual people who have not participated in activities as a consumer now must recognize once again the importance of that activity. One hope is that a shortening of work hours quickly will be realized in the future and as a result, many people will aggressively participate in community activities, political activities, and consumer activities.

Japan and the United States have continued to develop the economy so far by making full use of market mechanisms. However, the recent series of controlled trade measures represented by the U.S.-Japan auto agreement in January will harm the foundation of their own economic development. Those who act contrary to the market always will receive retaliation from the market—that is the iron rule of the free economy that we have.

The United States and Japan have great responsibility to protect the activity of the market economy. Especially amidst the expansion of protectionist measures by many nations throughout the 1980's, Japan is the only nation to have refused these measures. Specifically, as opposed to the increase in many advanced nations of GATT "gray measures" (measures that cannot be said clearly to violate GATT provisions, but are contrary to the GATT spirit of free trade), such a phenomenon was not seen in Japan in the 1980's.

Expectations, centering on developing countries, have been greatly voiced that Japan will become the central axis of opposition to controlled trade. Nevertheless, since the beginning of the 1990's, Japan clearly has strengthened its tendency toward controlled trade in the form of cooperation with the United States. The development of opposition to controlled trade is a process of extrication from following in the footsteps of the United States and positioning ourselves in rather dynamic world power politics.

The Soviet type of planned economy certainly failed. This fact, however, does not mean in any way that our democracy and capitalism centering on the United States and Japan are perfect systems without fault. In fact, democratic society now is directly facing the danger of financial deficit and controlled trade. The world economic map of the 21st century probably will change greatly depending upon which of the nations that possess a market economy can most skillfully conquer financial deficit and curb controlled trade. While a common danger to democratic societies is surfacing, "history" apparently still has not ended.

[Boxed item: Heizo Takenaka: Assistant professor, Keio University. Born 1951, and graduated from Hitotsubashi University. Assumed current position in 1990 after holding positions such as chief researcher, MOF Financial Research Center; assistant professor, Hannan University; and visiting associate professor, Harvard University. Specializes in economic policy. Major works are "Macro Analysis of Trade Imbalances" and "Economics of U.S.-Japanese Friction."]

## Weak Demand, Heavy Debt Burden Industry

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[Article by Masaaki Fukuma: "The Spreading New Type of Structural Slump (Paper Industry)—Tremors Indicate a Major Restructuring"]

[Text] Tremors are surfacing in the financial sector following the collapse of the bubble economy. Hard times are also visiting the manufacturing industry. The curtain is opening on a drama of mergers and corporate restructuring.

The earth is rumbling under the Japanese economy. A new type of structural slump, never before experienced, has been triggered by the bubble economy's collapse. For the first time in postwar Japan, business profits clearly seem to be headed for their third straight year of decline; nor are there any clear indications of what will be happening in the future.

A V-shaped recovery, at least, is hard to imagine. Japan's industrial base is creaking and sending out an eerie air.

Naturally, a new round of competition for corporate survival is to be expected. With an already mature market, the battle is likely to be crueler and harsher than ever before.

Downsizing and pulling out of unprofitable activities will be matters of course. Quite likely also are business shakeups, corporate tie-ups, and a move toward large-scale mergers. Will the phoenix rise again?

### New Type of Structural Slump

The recent slump is clearly different from any previous one. First of all, this isn't simply part of a business cycle. Intoxicated by the bubble economy, enterprises have totally miscalculated consumer demand and seriously over-invested in plants and equipment. They are suffering doubly from the effects of demand created from inflated assets and a reaction based on deflated assets.

Second, bad times are hitting both the financial and manufacturing sectors at the same time. Proving to be too optimistic are statements that "the core of the economy is sound" and "the slump will soon bottom out." Land and stock values are still sliding without any visible bottom. Banks are unwilling to lend, businesses unwilling to borrow, and corporate managers have fallen into a sober state of mind.

Third, in what is one of the characteristics of the current slump, a shadow hangs over the competitive strength of processing-type industries—manufacturers of automobiles, household appliances, computers, and the like—that, until now, have been in the vanguard of Japan's economy. The raw materials industry (steel, chemicals, paper pulp), which depends greatly on this sector, has naturally been hard hit.

Fourth, "profitless activity," the peculiarly Japanese principal of keeping busy and expanding one's market share, is on its way out. Fixed costs, particularly depreciation and personnel costs, have gone up, and the method of using facilities to capacity in order to cover these costs is being put on hold because of sluggish demand. Because of the drop in stock values, financing costs have also climbed steadily, chipping away at businesses' ability to make a profit.

Thus, the recent slump seems to have grown out of a complex intertwining of cyclical factors combined with a new set of structural contradictions. Since every sector of the economy has been affected, it may take some time for the situation to return to normal.

### Financial Sector Hit by the Biggest Tremors

Needless to say, those most severely shaken, the protagonists in the bubble drama, are the banking, securities, real estate, and nonbank financial sectors. Still unclear is the extent to which banks have been saddled with bad loans, including debts incurred through indirect financing. Apparently, another year or two is needed to make a final determination.

As of the end of March 1992, collateral real estate loans alone made up a significant portion—24.5 percent—of the aggregate outstanding loan balances of 11 city banks.

Apparently, it will take four to five years to settle bad credit claims. Bad-loan reserves, loan repayments, and other factors are already putting mounting pressures on profits. Moreover, savings account interest rates are scheduled to be completely deregulated in June 1994. When this happens, small to midsized financial institutions will be taking a direct hit. There will inevitably be a full-scale restructuring of surviving institutions, including mergers intended to help faltering financial institutions.

The steep decline in trading volume has left securities companies also gasping for breath. Even the "Big Four" are falling into operating deficits. Office closures, personnel shakeups, and cutbacks are spreading, and this is just the beginning. Companies won't be seeing a light at the end of the tunnel for a long time. Not only is major surgery unavoidable, some enterprises will be undergoing restructuring. The magma under the earth is building up.

Small to midsized banks, securities firms, insurance companies, and nonbanks, among others, are entering dangerous ground in numbers far greater than imagined. Whatever happens will no longer be a surprise.

### Mergers in Paper Pulp Sector Accelerating

There was, however, an unexpectedness to the merger of Jujo Paper Co. and Sanyo Kokusaku Pulp Co.; for it went beyond the keiretsu network.

However that may be, the merger, says Jujo Paper Co. president Takeshiro Miyashita, "triggered the industry's restructuring." Until then, the industry was notorious for repeating the same mistakes.

The pattern followed was: competition in plant investments—increased assets—a turn for the worse in the balance between supply and demand—market slump—drop in profits. This time, however, the industry found itself in the worst shape it has been in since World War II.

The primary products in the investment "rush" of the latter half of the 1980's, high-grade and coated or processed paper, had fallen in price by more than 30 percent from their peak. Production led to deficits. But cutting back on production didn't reduce inventories. Calculations had been totally off. Until then, the industry had been growing at a faster pace than the GNP. Now, the view that demand would catch up with supply in two years was found to be too optimistic. Something unexpected had happened with regard to demand.

The automobile and household appliance industries were big buyers of coated or processed paper, which, among other things, was used for fliers, catalogues, and pamphlets. The slump in these sectors, therefore, affected the paper industry. So too did the slump in other sectors, like banking, securities, and insurance, where this paper was used for publications and reports.

A rebound in demand wasn't expected any time soon, and rather than having both companies fail, Jujo and Sanyo decided to merge.

The newly merged company now has a 17-percent share of the *yoshi* [man-made paper] market, beating out Oji Seishi's 16-percent share. In third place is Daishowa Seishi with 14 percent, followed by Daio Seishi with 8 percent. Despite the merger, the field is still pretty much the same.

Without further restructuring, some people believe, there will be little impact on the industry's stability. Since mergers of small to midsized companies have little effect, one can probably expect to see more of the action in the restructuring drama taking place around the major players.

### Uneasiness Marks Ethylene Competition

The chemical industry is in a similar situation. The market has weakened substantially because of a steeper drop in demand than expected and because of inventory adjustments based on production cutbacks.

Still, ethylene, which is a basic material in petrochemical products, is being manufactured at the same high levels as before. Moreover, negotiations to raise the price of general-purpose resin are meeting with difficulty. The industry appears to be strangling itself with its own overly competitive nature.

From the second half of the 1980's, the chemical industry was rushing about building up its plants and facilities. However, since 1990, its main customers, the automobile industry and household applicance industry, have been hit by a severe structural depression. Faced with the widening gap between demand and supply, the industry has been forced to reduce its prices dramatically.

Nevertheless, a new round has been sparked in the competition to increase ethylene facilities. The competition has been touched off by the buildup of plants in other countries. Korea, with its current production capability of over 6.1 million tons, for example, is operating five plants under a plan to increase its output of ethylene by 300,000 to 600,000 tons between 1992 and 1996. If the situation continues on its present course, Japan's chemical industry may find itself in an even deeper slump.

The merger between Mitsui Petrochemicals and Mitsui Toatsu Chemicals has been stalled. With Mitsui Petrochemical's focus on raw materials like ethylene and Mitsui Toatsu's use of the Yamashita model, such a merger would have a lot of merit. However, their combined share of the phenolic resin market would be 56 percent and exceed the level prescribed by antitrust law. If they find a way around this regulation, there should be no trouble going ahead with the merger, since both companies have been moving along the same route.

Also circulating is news of Tonen Chemical and New Japan Steel Chemical's merger, as are industry rumors of takeover mergers involving the Sumitomo Chemical Group, Sumitomo Bakelite, Sumitomo Pharmaceuticals, and Sumitomo Seika.

Mitsubishi Kasei and Mitsubishi Yuka are two more. At the same time that Mitsubishi Kasei established an ethylene center, it began specializing in special chemicals. Mitsubishi Yuka has focused on ethylene, using the Kawakami model. For two companies that have been moving along different routes, the likelihood of a merger is slim, but one never knows...

### Auto Parts Sector Begins Restructuring Drama

Semiconductors, another sector in the raw materials industry, is also suffering from an over-investment in plants and equipment. Besides there being an oversupply of four-megabit DRAM [dynamic random-access memory] chips, the shift away from the older generation 1-megabit chip, used primarily in personal computers, has not taken hold, and prices have dropped substantially. This has led to steep profit declines for all semiconductor companies. An important characteristic of the current slump is that it is also hitting high-tech processing industries—automobiles, household appliances, computers—that have until now been at the leading edge of Japan's economy.

Domestic car sales peaked in 1990, after registering about a 40-percent increase over a four-year period. From May 1991, however, domestic sales have continued to drop from previous year levels.

Profits have fallen even more sharply for automakers than during the time of the yen shock, and there are no projections for a recovery. During the days of the bubble economy, automakers were putting out various models and types of cars, and sales were booming, but a reaction has set in.

Limiting volume while offering variety, the kanban-method of controlling inventory, etc., while adding to fixed costs, has also raised so-called quasi-fixed costs such as outside processing expenses and shipping costs—another case of "profitless activity."

Moreover, the timing has been bad for expanding facilities. Toyota, Nissan's new Kyushu plant, and Mazda's Bofu factory all began operation at the height of the recession. The pressure of fixed expenses is squeezing industry profits.

For example, take Nissan. Its indebtedness over the past several years has jumped to over 1 trillion yen; depreciation has added another 400 billion yen to its burden. Mazda's situation is also severe.

Progress is being made in efforts to automate factories and cut back on car types and models as well as unneeded equipment and plants, but the road ahead is precipitous. Only Japan has 11 domestic car makers and, with its maturing markets, will have to deal with the problems that come from excessive competition.

The restructuring drama will pick up its pace, first, with the auto parts sector. This sector has been caught in the crossfire between efforts, on the one hand, to reduce and standardize car parts and, on the other, to increase the purchase of car parts from the United States. The merger of Atsugi Unishare, a Nissan Group company, and Nihon Denshi Kiki (in March 1993), the first merger to occur, is a precursor of things to come.

### Household Appliance Industry at Postwar Low

The household appliance industry has also fallen into the worst slump it has experienced since World War II. Shipping orders for household VTR's [video tape recorders] and color televisions have continued to decline for the last three years. A poor showing is also being made by camera-VTR's after a period of rapid growth. Exports are already suffering, as are audio equipment sales.

The factors that have contributed heavily to this decline, according to Industrial Research company president Yukio Shimura, are "first of all, the saturation of the market; second, the lack of 'star-quality' products; and third, the failure of competitors to develop new product lines and features."

Companies are all going into plans to extend model cycles and reduce unprofitable products, but that alone doesn't seem likely to get them out of their current straits.

The previous accounting period is already showing huge operating deficits for companies like Sony and Japan Victor; Sanyo Electronics already appears to be heading for an operating deficit this quarter; and the current economic slump has Japan Columbia and Sansui Electronics gasping for breath. The number of companies making fax machines has climbed to 35; almost none of them, it seems, is making profits. Matsushita Denso has stopped its production of household faxes and also closed its Okayama factory.

Mergers and buyouts are also becoming frequent among discount stores. In addition to taking Nakagawa Musen

Denki under its umbrella, Osaka's Matsuya Denki has completely bought out Koyo Musen. A buyout trend is spreading across the entire nation.

**Prescription for Recovery Is Unclear**

As we have seen, corporate restructuring has spread its seeds over a broad area, including the raw material and processing industries, and the factors that have caused the current situation are both serious and complex. Moreover, the prescription for recovery is unclear.

At the time of the oil crisis, the direction was clear: conserve and reduce energy consumption. So too at the time of the yen shock: reduce volume, make direct overseas investments, diversify business activities.

Until now, Japanese enterprises have consistently adhered to the principle of expanding market shares. But, now, they are up against a wall: The domestic market is saturated, but, should they try to expand their markets overseas, there will be trade friction.

In the midst of rising fixed costs from more hiring and the expansion of plants and facilities, sales volume has not continued to grow, immediately disclosing a weakness in the profit structure.

Consolidated profits have dropped at an even faster rate than single-base profits. Diversification and overseas production, though growing at a fast pace during the latter half of the 1980's, have failed to bear fruit and are now liabilities.

Additionally, the bill for excesses in equity financing is coming around. Financing costs, including redemptions, have increased sharply. Faced with the task of settling bad loans, banks are hardly in the position to provide financial assistance. Rather, in order to guarantee their profit margins, they are planning to pass that bill around to businesses via their lending rates.

Not only is it necessary to merge and get rid of the fat created by over-investment in plants and equipment, to adjust hiring and to cut unprofitable areas from operations, some marginal enterprises will have to expect to be weeded out. The time for major restructuring is coming.

## Polls Show Drop in Support for Miyazawa Cabinet

### Attributed to Sagawa Scandal

*OW2510194492 Tokyo SANKEI SHIMBUN in Japanese 23 Oct 92 Morning Edition p 3—FOR OFFICIAL USE ONLY*

[Text] According to results of JIJI PRESS' 22 October monthly public opinion poll, the support rating for Prime Minister Kiichi Miyazawa's cabinet fell to 18.8 percent, indicating an abrupt drop of 10.8 percentage points as compared with the September poll. Meanwhile, the nonsupport rating reached 62.5 percent, reflecting an increase of 10.8 percentage points and exceeding the 50-percent level for the first time in six months. The cabinet's support rating has dropped below 20 percent for the first time in three years and three months; the last time this happened was when the cabinet of former Prime Minister Sosuke Uno registered a 10.1-percent rating during the final stage of its term in July 1989. Previously, the lowest support rating for the Miyazawa cabinet was 21.1 percent in April of this year. The major factor for the recent decline has been attributed to the Tokyo Sagawa Kyubin scandal. Meanwhile, the support rating for the Liberal Democratic Party [LDP] registered 32.0 percent, reflecting a slight drop of 1.6 percentage points from the previous month's poll. The LDP has now suffered slight declines in its support rating two months in a row.

The opinion poll was conducted by interviewing 2,000 adults throughout the country between 9 and 12 October, when opposition to the handling of the Tokyo Sagawa Kyubin case was mounting, as indicated by criticism against public prosecutors for merely issuing a summary indictment against former LDP Vice President Shin Kanemaru. Some 72.4 percent of those interviewed responded to the survey.

With regard to reasons for supporting the cabinet, the largest number—6.4 percent of the respondents—indicated, as usual, their support by saying that "it does not make any difference who the prime minister is" (compared with 9.3 percent in September). Next came 4.8 percent of the respondents who answered that "if a Socialist Democratic Party [SDP] cabinet should be formed, it would lead to troubles" (compared with 5.4 percent last month). On the other hand, regarding reasons for nonsupport, 31.0 percent of the respondents (compared with 18.3 percent in September) answered that "we have no reason to have any expectations"; 27.2 percent (15.9 percent last month) answered that "the prime minister lacks the ability to achieve consensus"; and 19.0 percent (10.2 percent in September) answered that "the prime minister cannot be trusted."

While the LDP's support rating has dropped by a small margin, the cabinet's support rating has registered a sharp decline. It is observed that the cabinet's support rating has declined because Prime Minister Miyazawa, when the political community was being rocked by the Tokyo Sagawa Kyubin affair, failed to clearly bring his leadership into play. Other reasons for the decline include the fact that the Tokyo Public Prosecutors' Office settled the Kanemaru case by merely issuing a summary indictment without questioning Kanemaru, and because the economy has remained sluggish.

Regarding support for political parties, the support rating for all major parties, except for the Japan Communist Party [JCP], dropped in the latest poll. The SDP's support rating fell to 8.6 percent (compared with 8.9 percent in September), Komeito's dropped to 3.8 percent (compared with 4.6 percent for September), and the Democratic Socialist Party's support rating fell to 1.4

percent (compared with 2.5 percent in September). The JCP's support rating remained at 1.7 percent, the same as last month.

### Poll Results Reported

*OW2510163292 Tokyo MAINICHI SHIMBUN in Japanese 22 Oct 92 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Text] Recently, there have been some changes in the political world, including the resignation of former Vice President of the Liberal Democratic Party [LDP] Shin Kanemaru, who was involved in the Sagawa scandal. With this in mind, MAINICHI SHIMBUN conducted a nationwide opinion poll by telephone on 18 October regarding support for the Miyazawa cabinet, as well as support for the individual parties. Compared to the results of the previous poll conducted in early September, the Miyazawa cabinet's support rating has dropped to 14 percent, reflecting a nine-point decline. This is the second-lowest support rating ever recorded since MAINICHI SHIMBUN began conducting opinion polls on the Katayama cabinet in July 1947. The Takeshita cabinet received the lowest support rating ever—9 percent during its final stage (March 1989). The 14-percent support rating is the lowest ever recorded by any cabinet that is only one year old. Moreover, the LDP's support rating also declined sharply from the previous survey's 43 percent to 29 percent. This is very close to the 28-percent support rating recorded by the Takeshita cabinet at its final stage. Regarding the Sagawa scandal, 70 percent of those participating in the poll criticized the prime minister's political position, saying he is acting "negatively" in terms of shedding light on the scandal.

Those in their 20's and 30's gave the Miyazawa cabinet a support rating of only 9 percent. The support rating from participants over 60 years old also dropped to 19 percent, which is almost half of the support rating registered in this age group during the previous poll.

Meanwhile, 59 percent of those polled said they "do not support" the Miyazawa cabinet. This is a 26-point increase from the previous poll in which 33 percent of the respondents said they did not support the cabinet. This high nonsupport rating is close to the 62-percent nonsupport rating registered in the final stage of the Takeshita cabinet, which was dissolved as a result of the Recruit scandal. Moreover, the percentage of those saying they are "not interested" sharply declined from 41 to 26 percent.

In the previous poll, the support and nonsupport ratings for the Miyazawa cabinet among those calling themselves LDP supporters registered 45 percent and 19 percent, respectively. This time, 31 percent of the LDP supporters polled said they supported the Miyazawa cabinet, while 42 percent said they did not. This is the first time since the final stage of the Takeshita faction that a MAINICHI SHIMBUN poll recorded a nonsupport rating that exceeded a support rating among LDP backers.

Concerning the prime minister's position on shedding light on the scandal and the responsibility of those involved, as many as 68 percent of those polled said that Miyazawa is acting "negatively" in terms of revealing the truth. This indicates that people are strongly dissatisfied with the fact that the prime minister has not displayed his leadership.

In the latest poll, the LDP's support rating dropped to 29 percent. This is a 14-point decline from the September poll and marks the second time the support rating has fallen below 30 percent. The support rating for the Takeshita cabinet dropped below 20 percent during its final stage. A support rating for a cabinet may dip below 20 percent, but it is unusual for the party, which has a strong support base, to fall below 30 percent.

Meanwhile, opposition parties are failing to enjoy a particularly high rate of support, however. The support rating for the Social Democratic Party of Japan [SDPJ] was 11 percent, which is the same as its previous rating, and Komeito's rating was just 3 percent. Some 44 percent of those polled said they "do not support any particular party," which is an 11-point increase from the previous poll. At the time of the Recruit scandal, the support rating for the SDPJ rose sharply and it won an upper house election as the LDP suffered a loss. This time, 75 percent of the people strongly criticized the SDPJ, saying that the SDPJ also is acting "negatively" in terms of shedding light on the recent scandal.

### Editorial Urges Restoring Trust

*OW2510111392 Tokyo MAINICHI SHIMBUN in Japanese 23 Oct 92 Morning Edition p 5—FOR OFFICIAL USE ONLY*

[Editorial: "The Prime Minister Should Face Squarely 'Sudden Drop in Support Rate'"]

[Text] MAINICHI SHIMBUN recently conducted an emergency opinion poll by phone, and the result indicates that support rate for the Miyazawa cabinet has abruptly dropped to 14 percent while nonsupport rate has reached 59 percent.

Since these figures are similar to those registered in the final stage of the Takeshita cabinet, which was forced to resign because of the Recruit scandal, they indicate the seriousness of people's distrust in politics.

In particular, it should be noted that the support rate has dropped by 9 percent while the nonsupport rate has jumped by 26 percent during the past one and one-half months. This fact indicates a severe criticism against the vacillation shown by Prime Minister Kiichi Miyazawa during this period.

People are irritated over the prime minister's failure in bringing his leadership into full play in dealing with the investigation into the Tokyo Sagawa Kyubin scandal and with the internal strife of the Takeshita faction (Keiseikai). This can be supported by the fact that the number of respondents who answered that the prime minister's "negative stance cannot be praised at all" has reached 68 percent.

When the prime minister tried to dissuade former Vice President Shin Kanemaru of the Liberal Democratic Party [LDP] from resigning, the majority of the people started having distrust in the prime minister's stance, and they could not but feel desperate because the prime minister has remained almost silent late on.

Although Miyazawa became prime minister and concurrently the LDP president with the support of the largest faction, the Takeshita faction, the Miyazawa cabinet enjoyed a considerably high support rate at its start because it was expected to be a full-fledged administration.

Nevertheless, when the people came to be informed of the so-called "control by the Takeshita faction," which indicates a double structure of power, and also because of the cabinet's handling of the Kyowa corruption case, people have come to regard the cabinet as taking "a negative approach toward political reforms," and Miyazawa as "a prime minister without leadership," and thereby the support rate remained at the low 20-percent level.

We can say that the people have come to share a decisive distrust of the prime minister within the past one and one-half months. It is essential for the prime minister to take the results of the current opinion poll seriously, and to immediately take necessary actions.

First, we hope that the prime minister will indicate his posture on conducting a thorough investigation into the alleged Tokyo Sagawa Kyubin scandal. In handling the Lockheed scandal, the then Prime Minister Takeo Miki made a public commitment to the people on a thorough investigation into the case and held talks with the heads of opposition parties to clearly indicate his cooperation with the Diet. Prime Minister Miyawaza was a member of the cabinet at that time, and he should know all these facts.

As the LDP president, the prime minister should instruct the party's executive department to carry on its own investigations. At the same time, he should bring his leadership into full play in having Kanemaru, the former prime minister Takeshita, and others testify in the Diet. It has been reported that rightist groups and gangster organizations were involved in forming the Takeshita cabinet. Since this report in particular concerns an important issue related to the foundations of Japan's parliamentary democracy, it is the prime minister's own responsibility to conduct a thorough investigation into the case.

What the prime minsiter should do next is not to tolerate the "strife over the question as to who should succeed as the faction chairman" as reported in the audacious Takeshita faction. People feel indignant at the fact that in violation of an agreement of the cabinet, a cabinet member from the Takeshita faction has given priority to factional activities over state affairs. The prime minister should never indicate any understanding of the actions taken by this cabinet member but he should ask this cabinet member to observe the agreement.

Moreover, the prime minister should never be allowed to let the LDP alone take charge of the political reforms. The scandal concerning Kanemaru's acceptance of 500 million yen of illegal political donations as well as the successive political scandals that followed have clearly indicated that political reform has become a national task for which no delay should be allowed. Although the prime minister has said that "he would stand in the forefront of the political reform," his deeds have not indicated any such determination as viewed from the people's standpoint.

No concrete instructions have been issued so far, and perhaps, the truth is that the prime minister is waiting for the conclusion to be worked out by an unofficial consultative organ composed of both the ruling and opposition parties. It is observed that the conclusion would most probably be a clever plan under the title of the emergency reform program which will be far from a program of drastic reforms as the prime minister has pledged.

The prime minister should never forget that he has the obligation to show his vision and a clear blueprint concerning drastic reforms.

The deadlock in state affairs caused by the internal strife of the Takeshita faction as well as the people's intensified distrust in politics as revealed in the results of the recent opinion poll should not be neglected. It should be deeply ingrained in the prime minister's mind that the responsibility of settling these issues lies with the prime minister who is concurrently the LDP president, the man who actually holds the supreme authority.

## SDPJ Position on Miyazawa Resignation

*OW2510215792 Tokyo TOKYO SHIMBUN in Japanese 23 Oct 92 Morning Edition p 1—FOR OFFICIAL USE ONLY*

[Report on an interview with Social Democratic Party of Japan Chairman Makoto Tanabe by unidentified TOKYO SHIMBUN reporter on 22 October; place not given]

[Text] Social Democratic Party of Japan [SDPJ] Chairman Makoto Tanabe granted an interview to a TOKYO SHIMBUN reporter on 22 October. During the interview, he discussed his party's position on the Tokyo Sagawa Kyubin scandal at the upcoming extraordinary Diet session, saying: "Eventually, the Miyazawa government will be forced to take political responsibility. Although it depends on future developments, there are ways to call for the Cabinet's resignation or to appeal to the nation's confidence. Anyway, we have to choose between the two." In this way, SDPJ Chairman Tanabe hinted at calling for the Cabinet's resignation or the dissolution of the lower house, depending on Prime Minister Miyazawa's future actions. The Japan Communist Party and the Socialist Democratic Federation have already indicated their position of calling for the Cabinet's resignation, but this is the first time the SDPJ has discussed the Cabinet's resignation or the dissolution of the lower house.

In connection with procedures for pursuing the Tokyo Sagawa Kyubin scandal, Tanabe said that the party will emphasize a review of: 1) the details of former Liberal Democratic Party [LDP] Vice President Shin Kanemaru's acceptance of 500 million yen [Y]; 2) how the Y500 million was spent; and 3) alleged relations between Kanemaru and gangsters. Regarding the summoning of witnesses, Tanabe indicated his intention to give priority to summoning former Tokyo Sagawa Kyubin Co. President Hiroyasu Watanbe and Kanemaru himself. On the issue of summoning former Prime Minister Takeshita to the Diet, Tanabe said: "It is appropriate to ask him to testify with legal obligations in terms of having him speak the truth." In this way, Tanabe indicated his position of calling Takeshita as a sworn witness with legal obligations.

In discussing possible additional proposals to an 18-item set of emergency political reform measures agreed to among the LDP, SDPJ, Komeito, and the Democratic Socialist Party, Tanabe said: "If there is a common proposal that does not directly relate to the politics of one specific party, I want to study the proposal jointly with the other opposition parities. Also, if necessary, I want to hold talks with the heads of the other parties."

## Mongolia

### Gormbosuren Satisfied With Visit to Russia

*OW2410134392 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 2039 GMT 23 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, October 23 (OANA-MONTSAME)—I am deeply satisfied with the outcome of my visit to Moscow, announced the Minister of External Relations T. Gombosuren.

The head of the foreign policy department returned homeland today morning after his five day official visit to Moscow.

In the interview to correspondents he has attached special importance to the invitation of the president of the Russian Federation Boris Yeltsin to the President of Mongolia Punsalmaagiyn Ochirbat to visit the Russian Federation in the nearest time. The invitation was handed over by the Russian president during his talk with the Minister of External Relations of Mongolia T. Gombosuren. According to the Mongolian minister, during his visit an agreement was reached on the working out of a number of documents of vital importance for development of relations of the two countries without delay, on signing an agreement on good-neighbourliness and cooperation between the two states, the questions concerning the past, present and future of relations of the two countries were discussed. During the visit, said the minister, we were convinced of the will of the Russian side to raise traditional relations of our countries at the new stage, of understanding of our problems and positive attitude toward solution of these problems.

The visit has become an important event in relations of the two countrins, said the minister T. Gombosuren.

### Kazakh Prime Minister Arrives in Ulaanbaatar

*OW2710023492 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1621 GMT 26 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, 26 October (OANA-MONTSAME)—Yesterday the prime minister of the Republic of Kazakhstan S.A. Tereshchenko arrived in Mongolia on a three days official visit.

The head of the Kazakhstan Government is accompanied by heads and deputy-heads of a number of ministries and departments, including the ministries of external economic relations, justice, foreign affairs, culture, the national state bank board, the civil aviation board.

After the laying wreath to the tomb of D. Suhbaatar and H. Choibalsan here was a meeting in private of the prime minister of Mongolia P. Jasray and the Prime Minister of the Republic of Kazakhstan S.A. Tereshchenko and the talks between them held in the house of the Mongolian Government.

The Mongolian Government attaches much importance to development of Mongol-Kazakhstan relations, has announced the Mongolian Government head speaking at the dinner in honour of the high Kazakhstan guest. The present state of these relations the Mongolian prime minister has characterized as the starting, because contractual-legal basis is being now founded, direct contacts between siminar organizations are being established, political contacts at different levels are being activized. The Mongolian prime minister has expressed satisfaction with the results of the talks, during which the mutual interest in combining of efforts for expanding and deepening of bilateral cooperation is confirmed.

Concerning the cooperation in the sphere of labour market, the Premier P. Jasray has announced that already 40 thousand Mongolian citizens of Kazakh nationality have left for Kazakhstan to work in accordance with labour agreements. He has said in favour of working out of an official document in future regulating of a legal status of staying of Mongolian citizens in Kazakhstan.

It is time to unite political parties with common ideological concepts into a single political organization, capable of conducting single and well organized activity. The fate of Mongolia would depend on their merging" M. Enhsaihan said.

### Parties Unite in Interest of Democracy, Progress

*OW2710003392 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1633 GMT 26 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, 26 October [OANA-MONTSAME]—"The Uniting Congress of Parties for Democracy-92" under such a motto the constituent congress on uniting of the Mongolian Democratic Party (MDP), the Mongolian Party of National Progress (MPNP), the Mongolian United Party (MUP) and the Mongolian Renascence Party (MRP) opened yesterday in the Mongolian capital. More than 570 delegates representing these four parties attend the congress. The delegates to the congress have heard the political report "Assessment of Political Situation in the Country, a New Tendency, Contradictions and Tasks of the Party" prepared by a working group for organization of this forum. The report runs that in the past two years process of democratization and transition to market in Mongolia was going on in the atmosphere of contradictions between the new and the old. As distinct from the previous attempts to renew and re-build socialism, the democratic reforms have affected and shaked the very system of totalitarianism have led to the reconstruction of the society on the new basis. But scatteredness of new democratic forces, unreadiness of the society on the whole to accept new ideas, strong counteraction against reforms on the part of the Mongolian People's Revolutionary Party (MPRP) have aggravated already complicated socio-economic crisis in the country. Democratic forces have not avoided mistakes. It was especially vivid at the end of 1991 and the beginning of 1992, when an initiative was given to pseudo-patriots who together with the Mongolian People's Revolutionary Party have launched a strong campaign against revolutionary party have launched a strong campaign against new parties blaming them for the deepening of crisis of society. What is more, production drops, lowering of living standards, inflation to market. New political parties at that time have failed to give a resolute response to the burning problems of the society and these attacks, this adversely affected the results of the general elections. The outcome of these elections were nothing else than a step back in the process of democratization. Democratic forces which received more than 40 percent of votes of electors have got [word indistinct] 6.3 of seats in the new parliament of Mongolia. This can be explained not only by imperfection of the law about elections but also by mistakes and errors, including scatteredness of young parties. As a result of the election multi-party system, pluralism of views, the parliament system have acquired only a formal character, as the MPRP. The dangerous tendency of forcing out of representatives of democratic forces from all stages of the state and government structures is observed in the country.

The new government activity programme adopted recently arouses a great doubt in deepening of the process of democratization, transition of economy to market relations, as it reflects all mistakes of the pre-election programme of the Mongolian People's Revolutionary Party, including a slogan, declarative character of tasks, absence of strict mechanisms of realization of these tasks. On the whole the programme revives a strong centralization of administrative system of managing of economy, is characterized by a tendency to solve problems from position of old thinking and by old methods. The new government has also laid down a tactical variant for her saving blaming her predecessors for the present socio-economic difficulties.

Real political, socio-economic conditions and the atmosphere in the society put new tasks and problems before democratic forces solution of which is impossible to imagine without combining of efforts, new approach. Interests of society, national security, social progress and revival of Mongolian people are beyond the party interests, the report stresses.

Proceeding from this, the MPNP, the MUP, and the MRP, have decided to join a single party.

As it was noted in the report, the new party's aim is to create a just democratic society in Mongolia based on private property, and pluralism of views. The party ideological platform is free democratic ideas as being up to the national traditions and human civilization values most of all [words indistinct] also drafts of the party programme, the party rules are submitted to the congress. The delegates to the congress have adopted the decision to name the new-party "The Mongolian National-Democratic Party" (MNDP) by the absolute majority of votes. Yesterday the participants to the congress have discussed the political report, the draft programme and rules of the party.

According to the data of the mandate commission, 180 out of 579 delegates are workers, 200-private sector representatives. 22.5 percent of the participants to the forum are young people of the age 18-30, 55 percent - of the age 31-45, 17.5 percent of the age 46-60. Every tenth delegate has an academic degree.

### Green Party Decides To Remain Independent

*OW2710025592 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1620 GMT 26 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, 26 October, (OANA-MONTSAME)—Discussing the question about uniting with democratic parties the special congress of the Mongolian Party of Greens (MPG) has adopted the decision to remain the Interim Council for Preparation for the 3rd Congress of the Party.

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### Harvesting Campaign Progress Reported

*OW2410140092 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1142 GMT 23 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, October 24 (MONTSAME)—The State Harvesting Commission reports that more than 460,000 tons or over 60 percent of grain has been harvested and an average yeild per hectare was 9,5 centner.

Above 73,000 tons or 60 percent of potatoes and 10,000 tons or nearly 30 percent of vegetables have been gathered.

About 103,000 tons of hay have been supplied to the state emergency fund.

### Air Service on Some Domestic Routes Stopped

*OW2410142992 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 2108 GMT 23 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, October 23 (MONTSAME)—Steady supply of the population with fuel and lubricants is remains [as received] one the present day's topics.

"Neftimport" (oil import) company has informed that reserves of benzine for cars is left for 29 days, for planes - just five, diesel fuel - 1-8 [as received].

Starting 19 october the national "Miat" company had to stop some domestic routes.

### New Tourist Newspaper Publishes First Issue

*OW2410135492 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1138 GMT 23 Oct 92—FOR OFFICIAL USE ONLY*

[Text] Ulaanbaatar, October 24 (MONTSAME)—First issue of a new "JUULCHIN" (TOURIST) newspaper founded by the Mongolian National Tourism Union together with "Bumba" company is printed.

D. Dabaasuren, editor-in- chief of the 199th newspaper said that their main goal is to acquaint their readers with Mongolia's nature and rare species of animals.

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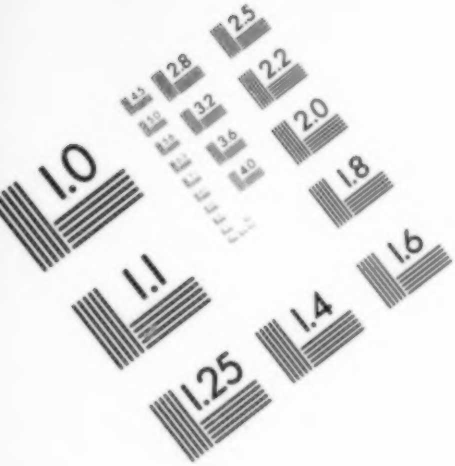
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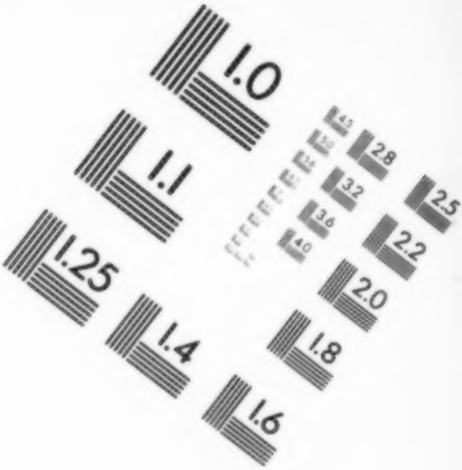
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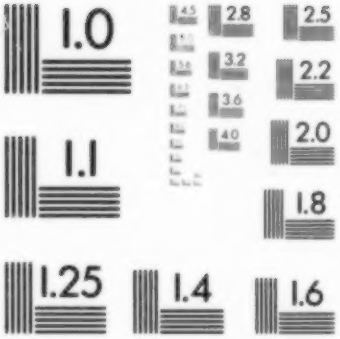
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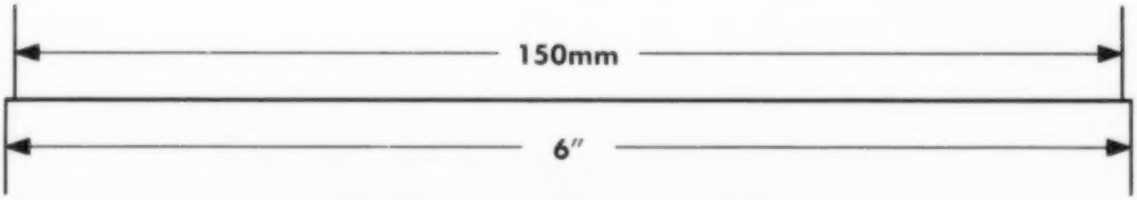

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